CITY OF AUBURN

Request for Proposals
For
Professional Auditing Services

City of Auburn
Finance Department
1225 Lincoln Way, Room 1
Auburn, CA 95603
Phone (530) 823-4211 x110
Fax (530) 823-4209

Date of Issuance: May 4, 2011

Submittal Deadline: May 27, 2011

City of Auburn
Request for Proposals - Professional Auditing Services

I. INTRODUCTION

A. General Information

The City of Auburn is requesting proposals from qualified certified public accounting firms to audit its financial statements for the fiscal year ending June 30, 2011, with the option of auditing its financial statements for each of two (2) subsequent years as further discussed below. These audits are to be performed in accordance with generally accepted auditing standards and the standards set for financial audits contained in *Governmental Auditing Standards (1994)* issued by the Comptroller General of the United States, the provisions of the Federal Single Audit Act as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations.*

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and will be disregarded.

All property rights, including publication rights of all reports produced by proposer in connection with services performed under this agreement, shall be vested in the City. The proposer shall not publish or release any of the results of it examination without the expressed written permission of the City.

During the evaluation process the Finance Director and/or the City Manager reserve the right - where it may service the City of Auburn's best interests - to request additional information or clarifications from the proposers. At the discretion of the City of Auburn, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Auburn reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposal was 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 professional services contract between the City of Auburn and the firm selected.

A. General Information (continued)

It is anticipated the selection of a firm will be completed by June 10, 2011. Following the notification of the selected firm it is expected a contract will be executed between both parties by June 27, 2011. The City of Auburn reserves the right to reject any or all proposals, to waive any non-material irregularities or information in any proposal, and to accept or reject any items or combination of items.

B. Term of Engagement

It is the intent of the City to contract for the services presented herein for a term of one (1) year. The City reserves the right to extend the term of this contract for two (2) additional one-year terms subject to the annual review and recommendation of City management, the satisfactory negotiation of terms (including a price acceptable to both the City of Auburn and the selected firm), the concurrence of the City Council of the City of Auburn and the annual availability of an appropriation.

The City also intends to structure the contract such that the City has the option as to whether the City or the auditor shall prepare, print and bind the Financial Statements noted herein.

The proposal package shall present all inclusive audit fees for both options for each year of the contract term.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The City of Auburn's goal is to provide the public and our constituents with a financial statement that gives complete, accurate and understandable information about the City's financial condition. The selected independent auditor will be required to perform the following tasks:

1. Audit of the General Purpose Financial Statements of the City of Auburn in conformity with generally accepted accounting principles and issue an opinion thereon.

2. Audit of the Component Unit Financial Statements of the Auburn Urban Development Authority (Redevelopment Agency) of the City of Auburn. Perform tests of compliance in accordance with Guidelines for Compliance Audits of California Redevelopment Agencies and issue required Compliance Reports thereon.

3. Test compliance with the Single Audit Act as amended in 1996, and applicable laws and regulations.

A. Scope of the Work to be Performed (continued)

4. Prepare Memorandum on Internal Control Structure and Management Letter.

5. Test compliance with Proposition 111, Article XIII.B – Review of Appropriation Limit Calculations.

6. The firm selected may also be asked to examine other reports or perform other services as required (recognizing that additional fees may be charged).

7. It is expected that the selected firm will assist the City with preparation of a Comprehensive Annual Financial Report under the submittal guidelines established by the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting Program and to the California Society of Municipal Finance Officers. Assistance from the Audit firm in formatting the report to conform with these programs is desirable and should be considered as part of the firm's response.

B. Auditing Standards to be Followed

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

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;

2. The standards applicable to financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States;

3. The provisions of the Single Audit Act as amended in 1996; and

4. The provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

C. Reports to be Issued

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

1. Reports on the fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America as listed below:

    a) General Purpose Financial Statements for the City of Auburn; and
    b) Component Unit Financial Statements for the Auburn Urban Development Authority of the City of Auburn.

C. Reports to be Issued (continued)

These reports shall include Required Supplemental Information (RSI) as required by GASB #34.

2. A report based on the auditor's understanding of the internal control structure and assessment of control risk. In this report, the auditor will also communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses (see #8 below for related item).

3. A separate report on the auditor's analysis of the internal control structure used in the administration of federal financial assistance programs.

4. A report on the City's compliance with laws and regulations related to "major" federal awards including an opinion on compliance with specific requirements applicable to "major" federal awards programs. The report on compliance shall include all instances of non-compliance.

5. A report on the Auburn Urban Development Authority's compliance with the laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* as issued by the State Controller and a report on the Agency's internal controls.

6. A Management Letter addressed to the City Council of the City of Auburn setting forth recommendations (as applicable) for improvements in the City's accounting systems.

7. The auditor shall communicate in a letter to the City Manager and Finance Director 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. "Nonreportable conditions" discovered by the auditor shall be communicated in the "Management Letter".

8. A report on the City's compliance with Proposition 111, Article XIII.B of the California State Constitution and Government Code 7900 (et seq.) in its calculation of the "Gann Limit".

9. Auditors shall be required to make immediate, written notification to the City Manager and the Finance Officer of all irregularities and illegal acts or indications of illegal acts of which they become aware

D. Other Communications

The independent auditor shall make all communications to the Finance Director and/or City Manager required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgment and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.
10. Errors, irregularities, and illegal acts.

The independent auditor must be available to present the audit plan prior to beginning field work. In addition, the independent auditor must be available to present all final reports to City management and the City Council as requested.

E. Working Paper Retention and Access to Working Papers

All work papers and reports must be retained, at the auditor's expense, for the minimum of five years (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by the City of Auburn of the need to extend the retention period. The work papers are subject to review by federal and state agencies and other individuals designated by the City of Auburn. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

F. Journal Entries

All adjusting journal entries made by the independent auditors must be discussed and explained to the Finance Director prior to recording. They should be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems.

III. DESCRIPTION OF THE CITY OF AUBURN

A. Name and Telephone Number of Contact Person

Any questions regarding this proposal or additional information required by the respondents should be directed to:

Andy Heath, Finance Director
City of Auburn
1225 Lincoln Way, Room 1
Auburn, CA 95603
aheath@auburn.ca.gov ***(preferred method)***
(530) 823-4211, extension 110
Fax (530) 823-4209

B. Background Information

The City of Auburn is a general law city incorporated under California law in 1888. The City serves a population of approximately 13,410 and is located in Placer County. The governing body is a five-member City Council composed of the Mayor and four council members all of whom are elected at-large and serve four-year terms.

The City, organized into five departments and two offices, provides a full range of municipal services including public safety (police and fire), community development, wastewater collection and disposal, public works, general government and the Auburn Urban Development Authority. The City's total expected personal services budget for the year ended June 30, 2011 is approximately $6.3 million covering 77.0 budgeted full-time positions. The total municipal budget for the 2010-11 fiscal year is $20.3 million covering 16 budgeted funds. The accounting and financial reporting functions of the City are centralized in the City's Finance Department.

C. Basis of Accounting and Fund Structure

The reporting entity of the City includes the Auburn Urban Development Authority because the City Council sits as the Board of Directors for this entity and is dependent on City staff for record keeping and financial reporting activities. The City of Auburn uses the following fund types and account groups in its financial reporting:

C. Basis of Accounting and Fund Structure (continued)

Governmental Fund Types
- General Fund
- Special Revenue Funds (15 funds)
- Capital Projects Funds (2 funds)
- Debt Service Funds (1 funds)

Proprietary Fund Types
- Enterprise Funds (2 funds)

Fiduciary Fund Types
- Trust and Agency Funds (6 funds)

The City may make additions to and/or deletions from this list and to the component units included in the reporting entity as deemed necessary.

D. Computer System

The City's computerized systems are run on a Local Area Network (LAN). The accounting functions are maintained using the Sage MIP Financial System. The applications operating on this system include the general ledger, accounts payable, and fixed assets. The City outsources its payroll operation to Payroll People. Accounts receivable is managed internally by the Finance Department.

E. Availability of Prior Reports and Work Papers

The City's most recent audit was conducted by Gallina, LLP in Roseville, California. The work papers of the previous audits are the property of the previous auditor and can be reviewed by the successful proposer. The following financial statements were prepared by Gallina, LLP for the fiscal year ending June 30, 2010:

1. City of Auburn Comprehensive Annual Financial Report; and
2. Component Unit Financial Statements for the City of Auburn Urban Development Authority.

F. Exemplar Agreement

It is expected that the selected firm will enter into a contract with the City of Auburn for the performance of services outlined in the contract's Scope of Services Section based on a fee structure outlined in the contract's Compensation Section. Other than for the Scope of Services and Compensation Sections as mentioned above, the City of Auburn prefers not deter from the language as outlined in Sections one (1) through eighteen (18) of the Exemplar Agreement attached as part of this Request for Proposal.

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

Date	Activity
May 4, 2011	Request for Proposal issued
May 27, 2011	Due date for technical and cost proposals (due by 5:00 p.m.)
June 7, 2011	Oral Interviews (conducted at City's discretion)
June 10, 2011	Selected firm notified
June 27, 2011	Contract awarded (@ City Council Meeting)

B. Date Audit May Commence

The City of Auburn will have all prior records ready for review and management personnel available to meet with the firm's personnel by July 1, 2011. The City anticipates that the selected firm will perform preliminary audit work and internal control review prior to July 31, 2011. Accounting records will be ready for final audit by or before September 1, 2011. Changes in time requirements for commencement of work to completion of final reports must be approved by the Finance Director in advance.

C. Date Report is Due

The final reports are due by November 15, 2011. The due date for subsequent years is also November 15th.

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

A. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The City's Finance Director will be responsible for acting as the liaison between the audit firm and the City. Consideration must be given to the on-going tasks of the Finance Department.

B. Work Area, Telephone, Photocopying, and Fax Machine

The City of Auburn will provide the auditor with a reasonable workspace, access to telephone lines, photocopying facilities and a fax machine.

C. Report Preparation

City personnel are currently responsible for compiling the general ledger and trial balance information and electronically providing this information to the auditor. The auditor is responsible for preparing the accompanying financial statements (for report use), footnotes, the final check of the number presentation and printing the final reports.

The City is open to discussions regarding the division of these activities in order to produce the most cost-effective product for both the City and the auditor. In order for the City to properly evaluate the cost of the report preparation process, your cost proposal should include report preparation as it currently occurs and the cost if the auditor prepares the financial statements in their entirety.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquires concerning the request for proposals and the subject of the request for proposals may be made to the City's Finance Director.

2. Submission of Technical Proposal. An original and three (3) copies of the Technical Proposal shall be received **by 5:00 p.m. on Friday, May 27, 2011** for a proposal to be considered. The Technical Proposal should address the items listed in section C below.

3. Submission of Cost Proposal. An original and three (3) copies of the Cost Proposal shall be received **by 5:00 p.m. on Friday, May 27, 2011 under separate cover in a sealed envelope** to be considered. The requirements of the cost proposal are described below.

Both the Technical Proposal and the Cost Proposal should be sent to the attention of Andy Heath at the address noted in Section III (A).

B. Format for Technical Proposal

The format of the Technical Proposal shall be as follows:

1. *Title Page*
   Show the RFP subject, name of the audit firm, local address, telephone number, name and title of contact person, and date of submission.

B. Format for Technical Proposal (continued)

2. *Table of Contents*
   Include a clear and complete identification of the materials submitted by section and page number. Cross-referencing to section and page number in the RFP would be helpful.

3. *Transmittal Letter*
   General introduction and briefly stating the proposer's understanding of the audit services to be performed; a positive commitment to perform the service within the time period specified; the name(s) of the person(s) authorized to represent the proposer, title, address, and telephone number.

4. *Detailed Proposal*
   The detailed proposal should follow the format set out in Section C below.

C. Contents of Technical Proposal

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

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the RFP (excluding any cost information which should only be included in the sealed dollar cost bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the areas detailed below must be included. They represent the criteria against which the proposal will be evaluated.

1. *License to Practice in California*
   An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in California.

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

C. Contents of Technical Proposal (continued)

3. *Business License*
   The independent auditor selected must obtain and/or possess a City of Auburn Business License while conducting any work under this contract.

4. *Insurance*
   Attached to the RFP is a draft copy of the City's Exemplar Agreement for Professional Services (Agreement) which contains the insurance requirements. The selected firm will maintain the minimum insurance requirements during the entire term of their engagement. To confirm this requirement, within 15 days from the execution of the Agreement, the selected firm shall furnish the City satisfactory evidence of the insurance requirement and evidence that each carrier is required to give at least 30 days prior written notice of the cancellation of any policy during the effective period of the Agreement. The City shall be named as an additional named insured under the selected firm's policies as noted in the Agreement.

5. *Firm Qualifications and Experience*
   a) ***To qualify the firm must have demonstrated experience in audits of local governments***. The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

      If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

      If the proposer will be subcontracting any portion of the audit to another individual or firm, the proposal must include a list of all subcontractors to be used. No substitutions of subcontractors may be made without prior written consent of the City of Auburn.

   b) The proposer is also required to submit a copy of the report on its most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific government engagements (required by *Government Audit Standards (1994)).*

      The proposer shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the proposer shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

C. Contents of Technical Proposal (continued)

6. *Partner, Supervisory and Staff Qualifications and Experience*

   a) Identify the principal supervisory and management staff, including engagement partners, managers, and other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in California. Also, provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

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

   c) Principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists may be changed during the course of the agreement, however, the City of Auburn reserves the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

7. *Similar Engagements with Other Government Entities*

   For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum 3) performed in the last three years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Also please indicate whether the audit was part of a Comprehensive Annual Financial Report and include a recent copy of the engagement's final financial report (CAFR).

   Please provide a list of not less than three client references for whom services similar to those outlined in this RFP are currently being provided. For each reference listed provide the name of the organization, approximate gross cost of the contract, dates for which the service(s) are being provided, type of service(s) being provided and the name, address and telephone number of the responsible person within the reference's organization. The City of Auburn reserves the right to contact any or all of the listed references regarding the audit services performed by the proposer.

8. *Specific Audit Approach*

   The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as City of Auburn's budget and related materials, organizational

C. Contents of Technical Proposal (continued)

charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

a. Proposed segmentation of the engagement;
b. Level of staff and number of hours to be assigned to each segment;
c. Sample sizes and extent of the use of statistical sampling techniques;
d. Extent of use of EDP in the engagement;
e. Type and extent of analytical procedures to be used in the engagement;
f. Approach to be taken in determining laws and regulations that will be subject to audit test work;
g. Approach to be taken to gain and document an understanding of the City of Auburn's internal control structure; and
h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

9. *Identification of Anticipated Potential Audit Problems*
The proposer should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the City of Auburn.

10. *Report Format*
The proposer should include sample formats for required reports.

NO DOLLAR AMOUNTS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

D. Contents of Cost Proposal

1. *Total All-Inclusive Maximum Price*
The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in the request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The City of Auburn will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information: (a) name of firm; (b) certification that the person signing the proposal is authorized to represent the firm, empowered to submit the bid, and authorized to sign a contract with

D. Contents of Cost Proposal (continued)

the City of Auburn; and (c) a total all-inclusive maximum price for the first year of the engagement plus the optional two (2) additional years (3-year total proposal).

2. *Rates by Partner, Supervisory and Staff*
   The cost proposal should include detailed information regarding the estimated number of hours to be dedicated to the City's engagement, delineated by staffing level. In addition, provide the hourly rate for each staff position included in the hourly summary.

3. *Manner of Payment*
   Progress payments will be made on the basis of pro-rated audit work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's proposal.

VII. EVALUATION PROCEDURES

A. Evaluation Team

Proposals submitted will be evaluated by two members of the City's Management Team, including the Director of Finance and another manager. The evaluation team will also work with the City's elected Treasurer during the evaluation process.

B. Evaluation Methodology

The Evaluation Team will use a point formula during the review process to score proposals. Each member of the Evaluation Team will score each technical proposal by each of the criteria described in Section C below.

C. Evaluation Criteria

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

1. Mandatory Elements
   a. The audit firm is independent and licensed to practice in California
   b. The firm has no conflict of interest with the City of Auburn
   c. The firm follows the instructions set forth in the RFP
   d. The firm submits a copy of its last external quality (peer) review report and the firm has a record of quality audit work.

C. Evaluation Criteria (continued)

2. Technical Quality

	Point Range
a. Responsiveness of the proposal in clearly stating and understanding of the work to be performed.	0 - 15
b. Technical experience of the firm and references responses.	0 - 35
c. Qualification of staff. Education, including continuing education courses taken during the past three years, position in the firm and years of experience will be considered. (Please include staff resumes).	0 - 35
d. Size and structure of firm and other considerations	0 - 15
TOTAL MAXIMUM POINTS	**100**

D. Selection of Firm

The City of Auburn will select a firm based upon the above evaluation process. It is anticipated that a firm will be selected by June 10, 2011. Following notification of the firm selected, it is expected a contract will be executed between both parties by June 27, 2011.

PROFESSIONAL SERVICES AGREEMENT
(City of Auburn / _____)

1. IDENTIFICATION

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between the City of Auburn, a California municipal corporation ("City") and _____ ("Consultant").

2. RECITALS

2.1 City has determined that it requires the following professional services from a consultant: Performance of the financial and compliance audits for the years ended June 30, 2011 and, if extended, June 30, 2012 – June 30, 2013 (as specifically described in Exhibit A – Scope of Services).

2.2 Consultant represents that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, City and Consultant agree as follows:

3. DEFINITIONS

3.1 "Scope of Services": Such professional services as are set forth in Consultant's _____ Audit Services proposal to City attached hereto as Exhibit A and incorporated herein by this reference.

3.2 "Approved Fee Schedule": Such compensation rates as are set forth in Consultant's _____ Audit Services Proposal attached hereto as Exhibit B and incorporated herein by this reference.

3.3 "Commencement Date": June 27, 2011.

3.4 "Expiration Date": March 31, 2012 (unless extended).

4. TERM

The term of this Agreement shall commence at 12:00 a.m. on the Commencement Date and shall expire at 11:59 p.m. on the Expiration Date unless extended by written agreement of the parties or terminated earlier in accordance with Section 17 ("Termination") below.

5. CONSULTANT'S SERVICES

5.1 Consultant shall perform the services identified in the Scope of Services. City shall have the right to request, in writing, changes in the Scope of Services. Any such changes mutually agreed upon by the parties, and any corresponding increase or decrease in compensation, shall be incorporated by written amendment to this Agreement. In no event shall the total compensation and costs payable to Consultant under this Agreement exceed the sum of _____ unless specifically approved in advance and in writing by City.

5.2 Consultant shall obtain a City business license prior to commencing performance under this Agreement.

5.3 Consultant shall perform all work to the highest professional standards of Consultant's profession and in a manner reasonably satisfactory to City. Consultant shall comply with all applicable federal, state and local laws and regulations, including the conflict of interest provisions of Government Code Section 1090 and the Political Reform Act (Government Code Section 81000 *et seq.*).

5.4 During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working at the Commencement Date if both (i) such work would require Consultant to abstain from a decision under this Agreement pursuant to a conflict of interest statute and (ii) City has not consented in writing to Consultant's performance of such work.

5.5 Consultant represents that it has, or will secure at its own expense, all personnel required to perform the services identified in the Scope of Services. All such services shall be performed by Consultant or under its supervision, and all personnel engaged in the work shall be qualified to perform such services. _____, shall be Consultant's project administrator and shall have direct responsibility for management of Consultant's performance under this Agreement. No change shall be made in Consultant's project administrator without City's prior written consent.

6. COMPENSATION

6.1 City agrees to compensate Consultant for the services provided under this Agreement, and Consultant agrees to accept in full satisfaction for such services, payment in accordance with the Approved Fee Schedule.

6.2 Consultant shall submit to City an invoice, on a monthly basis or less frequently, for the services performed pursuant to this Agreement. Each invoice shall itemize

the services rendered during the billing period and the amount due. City shall not withhold applicable taxes or other authorized deductions from payments made to Consultant.

6.3 Payments for any services requested by City and not included in the Scope of Services shall be made to Consultant by City on a time-and-materials basis using Consultant's standard fee schedule. Consultant shall be entitled to increase the fees in this fee schedule at such time as it increases its fees for its clients generally; provided, however, in no event shall Consultant be entitled to increase fees for services rendered before the thirtieth day after Consultant notifies City in writing of an increase in that fee schedule.

7. OWNERSHIP OF WRITTEN PRODUCTS

All reports, documents or other written material ("written products" herein) developed by Consultant in the performance of this Agreement shall be and remain the property of City without restriction or limitation upon its use or dissemination by City. Consultant may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by Consultant.

8. RELATIONSHIP OF PARTIES

Consultant is, and shall at all times remain as to City, a wholly independent contractor. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise to act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not represent that it is, or that any of its agents or employees are, in any manner employees of City.

9. CONFIDENTIALITY

All data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without prior written consent by City. City shall grant such consent if disclosure is legally required. Upon request, all City data shall be returned to City upon the termination or expiration of this Agreement.

10. INDEMNIFICATION

10.1 The parties agree that City, its officers, agents, employees and volunteers should, to the fullest extent permitted by law, be protected from any and all loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, or any other cost arising out of or in any way related to the performance of this Agreement. Accordingly, the provisions of this indemnity provision are intended

by the parties to be interpreted and construed to provide the City with the fullest protection possible under the law. Consultant acknowledges that City would not enter into this Agreement in the absence of Consultant's commitment to indemnify and protect City as set forth herein.

10.2 To the fullest extent permitted by law, Consultant shall indemnify, hold harmless and defend City, its officers, agents, employees and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person and injury to any property resulting from any alleged intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of Consultant or any of its officers, employees, servants, agents, or subcontractors in the performance of this Agreement. Such costs and expenses shall include reasonable attorneys' fees incurred by counsel of City's choice.

10.3 City shall have the right to offset against any compensation due Consultant under this Agreement any amount due City from Consultant as a result of Consultant's failure to pay City promptly any indemnification arising under this Section 10 and any amount due City from Consultant arising from Consultant's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

10.4 The obligations of Consultant under this Section 10 are not limited by the provisions of any workers' compensation act or similar act. Consultant expressly waives its statutory immunity under such statutes or laws as to City, its officers, agents, employees and volunteers.

10.5 Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section 10 from each and every subcontractor or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this Agreement. In the event Consultant fails to obtain such indemnity obligations from others as required herein, Consultant agrees to be fully responsible and indemnify, hold harmless and defend City, its officers, agents, employees and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person and injury to any property resulting from any alleged intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of Consultant's subcontractors or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this Agreement. Such costs and expenses shall include reasonable attorneys' fees incurred by counsel of City's choice.

10.6 City does not, and shall not, waive any rights that it may possess against Consultant because of the acceptance by City, or the deposit with City, of any insurance policy or certificate required pursuant to this Agreement. This hold harmless and indemnification provision shall apply regardless of whether or not

any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.

11. INSURANCE

11.1 During the term of this Agreement, Consultant shall carry, maintain, and keep in full force and effect insurance against claims for death or injuries to persons or damages to property that may arise from or in connection with Consultant's performance of this Agreement. Such insurance shall be of the types and in the amounts as set forth below:

11.1.1 Comprehensive General Liability Insurance with coverage limits of not less than One Million Dollars ($1,000,000) including products and operations hazard, contractual insurance, broad form property damage, independent consultants, personal injury, underground hazard, and explosion and collapse hazard where applicable.

11.1.2 Automobile Liability Insurance for vehicles used in connection with the performance of this Agreement with minimum limits of One Million Dollars ($1,000,000) per claimant and One Million dollars ($1,000,000) per incident.

11.1.3 Worker's Compensation insurance as required by the laws of the State of California.

11.1.4 Professional Errors and Omissions Insurance with coverage limits of not less than One Million Dollars ($1,000,000).

11.2 Consultant shall require each of its subcontractors to maintain insurance coverage that meets all of the requirements of this Agreement.

11.3 The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least A:VII in the latest edition of Best's Insurance Guide.

11.4 Consultant agrees that if it does not keep the aforesaid insurance in full force and effect, City may either (i) immediately terminate this Agreement; or (ii) take out the necessary insurance and pay the premium thereon at Consultant's expense.

11.5 At all times during the term of this Agreement, Consultant shall maintain on file with City's Risk Manager a certificate or certificates of insurance showing that the aforesaid policies are in effect in the required amounts and naming the City and its officers, employees, agents and volunteers as additional insureds.

Consultant shall, prior to commencement of work under this Agreement, file with City's Risk Manager such certificate(s).

11.6 Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages.

11.7 The general liability and automobile policies of insurance required by this Agreement shall contain an endorsement naming City and its officers, employees, agents and volunteers as additional insureds. All of the policies required under this Agreement shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty days' prior written notice to City. Consultant agrees to require its insurer to modify the certificates of insurance to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the word "endeavor" with regard to any notice provisions.

11.8 The insurance provided by Consultant shall be primary to any coverage available to City. Any insurance or self-insurance maintained by City and/or its officers, employees, agents or volunteers, shall be in excess of Consultant's insurance and shall not contribute with it.

11.9 All insurance coverage provided pursuant to this Agreement shall not prohibit Consultant, and Consultant's employees, agents or subcontractors, from waiving the right of subrogation prior to a loss. Consultant hereby waives all rights of subrogation against the City.

11.10 Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of City, Consultant shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Consultant shall procure a bond in the amount of the deductible or self-insured retention to guarantee payment of losses and expenses.

11.11 Procurement of insurance by Consultant shall not be construed as a limitation of Consultant's liability or as full performance of Consultant's duties to indemnify, hold harmless and defend under Section 10 of this Agreement.

12. MUTUAL COOPERATION

12.1 City shall provide Consultant with all pertinent data, documents and other requested information as is reasonably available for the proper performance of Consultant's services under this Agreement.

12.2 In the event any claim or action is brought against City relating to Consultant's performance in connection with this Agreement, Consultant shall render any reasonable assistance that City may require in the defense of that claim or action.

13. RECORDS AND INSPECTIONS

Consultant shall maintain full and accurate records with respect to all matters covered under this Agreement for a period of seven years after the expiration or termination of this Agreement. City shall have the right to access and examine such records, without charge, during normal business hours. City shall further have the right to audit such records, to make transcripts therefrom and to inspect all program data, documents, proceedings, and activities.

14. PERMITS AND APPROVALS

Consultant shall obtain, at its sole cost and expense, all permits and regulatory approvals necessary for Consultant's performance of this Agreement. This includes, but shall not be limited to, professional licenses, encroachment permits and building and safety permits and inspections.

15. NOTICES

Any notices, bills, invoices, or reports required by this Agreement shall be deemed received on: (i) the day of delivery if delivered by hand, facsimile or overnight courier service during Consultant's and City's regular business hours; or (ii) on the third business day following deposit in the United States mail if delivered by mail, postage prepaid, to the addresses listed below (or to such other addresses as the parties may, from time to time, designate in writing).

If to City

City of Auburn
c/o Andy Heath, Finance Director
1225 Lincoln Way
Auburn CA 95603
Telephone: (530) 823-4211 x110
Facsimile: (530) 823-4209

If to Consultant:

Telephone: (XXX) XXX-XXXX
Facsimile: (XXX) XXX-XXXX

With courtesy copy to:

Michael G. Colantuono, Esq.
Auburn City Attorney
Colantuono, Levin & Rozell, APC
11406 Pleasant Valley Road
Penn Valley, CA 95946-9024

Telephone: (530) 432-7359
Facsimile: (530) 432-7356

16. SURVIVING COVENANTS

The parties agree that the covenants contained in Section 9, Section 10, Paragraph 12.2 and Section 13 of this Agreement shall survive the expiration or termination of this Agreement.

17. TERMINATION

17.1. City shall have the right to terminate this Agreement for any reason on five calendar days' written notice to Consultant. Consultant shall have the right to terminate this Agreement for any reason on thirty calendar days' written notice to City. Consultant agrees to cease all work under this Agreement on or before the effective date of any notice of termination. All City data, documents, objects, materials or other tangible things shall be returned to City upon the termination or expiration of this Agreement.

17.2 If City terminates this Agreement due to no fault or failure of performance by Consultant, then Consultant shall be paid based on the work satisfactorily performed at the time of termination. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the services required by this Agreement.

18. GENERAL PROVISIONS

18.1 Consultant shall not delegate, transfer, subcontract or assign its duties or rights hereunder, either in whole or in part, without City's prior written consent, and any attempt to do so shall be void and of no effect. City shall not be obligated or liable under this Agreement to any party other than Consultant.

18.2 In the performance of this Agreement, Consultant shall not discriminate against any employee, subcontractor, or applicant for employment because of race, color, creed, religion, sex, marital status, sexual orientation, national origin, ancestry, age, physical or mental disability, medical condition or any other unlawful basis.

18.3 The captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph thereof at the head of which it appears, the section or paragraph thereof, as the case may be, and not such heading, shall control and govern in the construction of this Agreement. Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).

18.4 The waiver by City or Consultant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. No term, covenant or condition of this Agreement shall be deemed to have been waived by City or Consultant unless in writing.

18.5 Consultant shall not be liable for any failure to perform if Consultant presents acceptable evidence, in City's sole judgment, that such failure was due to causes beyond the control and without the fault or negligence of Consultant.

18.6 Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance of the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any of all of such other rights, powers or remedies. In the event legal action shall be necessary to enforce any term, covenant or condition herein contained, the party prevailing in such action, whether reduced to judgment or not, shall be entitled to its reasonable court costs, including accountants' fees, if any, and attorneys' fees expended in such action. The venue for any litigation shall be Placer County, California and Consultant hereby consents to jurisdiction in Placer County for purposes of resolving any dispute or enforcing any obligation arising under this Agreement.

18.7 If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to, the extent necessary to cure such invalidity or unenforceability, and in its amended form shall be enforceable. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

18.8 This Agreement shall be governed and construed in accordance with the laws of the State of California.

18.9 All documents referenced as exhibits in this Agreement are hereby incorporated into this Agreement. In the event of any material discrepancy between the express provisions of this Agreement and the provisions of any document incorporated herein by reference, the provisions of this Agreement shall prevail. This instrument contains the entire Agreement between City and Consultant with

respect to the transactions contemplated herein. No other prior oral or written agreements are binding upon the parties. Amendments hereto or deviations herefrom shall be effective and binding only if made in writing and executed by City and Consultant.

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

"City"
City of Auburn

By_____
Robert Richardson, City Manager

Date:_____

"Consultant"
_____

By:_____

Date:_____

By: _____

Date: _____

Attest:

By_____
Amy Lind, Deputy City Clerk

Date:_____

EXHIBIT A
SCOPE OF WORK

_____ will perform the scope of work identified in both the City's May 4, 2011 Request for Proposals for Professional Auditing Services and Consultant's _____ confirmation of services proposed to the City of Auburn for the years ended June 30, 2011 and June 30, 2012 – June 30, 2013. The scope of work is to include, at a minimum:

1. An audit of the General Purpose Financial Statements of the City of Auburn and the Auburn Urban Development Authority for the fiscal years' ended June 30, 2011 and June 30, 2012 – June 30, 2013 in conformity with generally accepted accounting principles and issuance of the following reports:

- A report of the fair presentation of the City's financial statements in accordance with accounting principles generally accepted in the United States;
- A report on the City's internal control over financial reporting and tests of compliance with laws, regulations, contracts and grant agreement and any other matters deemed necessary and material;
- A report on the fair presentation of the financial statements in conformity with GAAP, including an opinion on the fair presentation of the supplementary schedule of federal awards "in relation to" the audited financial statements;
- A report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Governmental Auditing Standards;
- A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133;
- Separate auditor's reports for the City of Auburn Urban Development Authority;
- A report on the City's compliance with Proposition 111, Article XIII B of the California State Constitution;
- A management letter setting forth recommendations (as applicable) for improvements in the City's accounting practice

2. Consultant recognizes that the City will prepare a Comprehensive Annual Financial Report (CAFR), and will assist the City in formatting the CAFR to meet requirements consistent with requirements set forth by the Government Finance Officers Association (GFOA) CAFR Certification Program.

3. Consultant will compile, print and bind all financial statements and relevant documents required and presented as part of the CAFR.

EXHIBIT B
APPROVED FEE SCHEDULE

_____ will be compensated for the work performed as outlined in Exhibit A – Scope of Services consistent with the Sealed Dollar Cost Bid Proposal ("Cost Proposal") submitted by Consultant to the City on _____.

Consultant agrees that the fees outlined in the Cost Proposal will be the maximum fees charged for the audit services rendered, and preparation and submission of the final audit reports. Consultant will not charge for out-of pocket expenses such as travel, transportation, or per diem associated with the engagement. The fees quoted in the Cost Proposal are the total that the City will be billed for audit services regardless of the actual time incurred, unless the City and Consultant mutually agree to and approve changes to the Scope of Services.

Total maximum compensation for services rendered pursuant to this agreement is not to exceed:

Fiscal Year 2010-11 Audit: $_____
Fiscal Year 2011-12 Audit (if extended): $_____
Fiscal Year 2012-13 Audit (if extended): $_____