

**CITY OF HOUSTON
TAX INCREMENT REINVESTMENT ZONE NUMBER 27
MONTROSE ZONE**

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

**C/O DAMON WILLIAMS
ZONE CONSULTANT
8588 KATY FREEWAY, SUITE 441
HOUSTON, TX 77385**

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REQUEST FOR PROPOSALS**

I. INTRODUCTION

A. General Information

The City of Houston's Tax Increment Reinvestment Zone Number 27 ("TIRZ 27") is looking to retain an audit firm and is requesting proposals from qualified firms of certified public accountants to audit its financial statements for Fiscal Year 2020, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years based on satisfactory performance. These audits shall be performed in accordance with Generally Accepted Auditing Standards.

There is no express or implied obligation for the City's TIRZ 27 to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Any inquiries concerning the request for proposals should be addressed to Damon Williams, Zone Consultant via email at dwilliams@knudsonlp.com.

To be considered, one (1) original and three (3) copies of the responses to the proposal should be addressed to Damon Williams, Zone Consultant, 8588 Katy Freeway, Suite 441, Houston, TX 77024 and received by 3:00 p.m. on October 4, 2019. Proposals received after this time will not be considered and will be returned to the bidder unopened. TIRZ 27 reserves the right to reject any or all proposals submitted.

Proposals submitted will be evaluated by administrative personnel and the TIRZ 27 Board of Directors ("Board").

During the evaluation process, the City staff reserves the right, where it may serve in the best interest, to request additional information or clarifications from bidders, or to allow corrections of errors or omissions.

The TIRZ 27 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 TIRZ 27 and the firm selected.

It is anticipated the Board will award the contract for audit services in October.

B. Term of Engagement

A one-year contract is contemplated, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years based on satisfactory performance. The contract is also contemplated subject to the satisfactory negotiation of terms (including a price acceptable to both the Board and the selected firm), the concurrence of the Board and the annual availability of an appropriation.

C. Subcontracting

No subcontracting will be allowed without the express prior written consent of the Board.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be Performed

The Board 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 board also desires the auditor to express an opinion on the fair presentation of its financial statements and schedules in conformity with generally accepted accounting principles (GAAP). The auditor shall also be responsible for performing certain limited procedures involving required supplemental information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

B. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, and the receipt of the TIRZ Attorney's audit letter reflecting any contingent liabilities, 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 of compliance and internal control over financial reporting based on an audit of the financial statements.

In the required reports 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.

Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City's Board.

C. Special Considerations

The auditors shall observe the adequacy of the systems of internal control. If weaknesses are noted, appropriate findings and recommendations should be reviewed with the Zone Consultant and the Board.

D. 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 Board 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, as applicable:

- City of Houston

- Tax Increment Reinvestment Zone Number 27
- Any Redevelopment Authority to Whom TIRZ 27 Increment is Pledged
- Federal Grant Agencies and Other Federal Agencies
- State of Texas Grant Agencies and Other State of Texas Agencies
- Auditors of entities of which the City of Houston is a sub-recipient of grant funds

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 GOVERNMENT

A. Name of Contact Person

The auditor's principal contact with the TIRZ organization will be Damon Williams, Zone Consultant, or a designated representative, who will coordinate the assistance to be provided by the Board and the City of Houston to the auditor.

B. Background Information

The Montrose Tax Increment Reinvestment Zone was created in 2015 by action of the Houston City Council to create and extend capital improvement projects for the purpose of attracting the investment necessary to benefit and revitalize communities within the Zone. It is funded by incremental increases in City of Houston tax revenues generated by new (or improved) developments in Montrose. We do not represent any new or increased taxes, but instead are a way for tax dollars generated in Montrose to be used to improve drainage, mobility and city utilities along our major corridors.

The City is participating, by interlocal agreement, in a Tax Increment Reinvestment Zone ("TIRZ" or "Zone") that has been created over certain commercial areas within the City. The TIRZ affords the opportunity for the City to plan and prepare for the provision of public infrastructure to areas within Montrose including mobility improvements, water, sewer, drainage, detention, affordable housing, parks and certain urban design capital improvements.

C. Budgetary Basis of Accounting

The TIRZ 27 prepares its budgets on a basis consistent with generally accepted accounting principles.

D. Magnitude of Finance Operations

The Finance Committee is a subcommittee of the appointed Board of Directors.

E. Computer Systems

The TIRZ does not currently have an Accounting Software System.

F. Internal Audit Functions

The TIRZ 27 does not currently have an internal audit function.

G. Federal and State Financial Assistance

The TIRZ 27 does not currently receive funding from Federal and State Financial Assistance programs.

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

Advertise Request for Proposals	September 20, 2019
Due Date for Proposals	October 4, 2019
Review by Board (estimated)	October 11, 2019
Award of Contract (estimated)	October 21, 2019

B. Date Audit May Commence

The TIRZ 27 will have all available records ready for audit and all management personnel available to meet with the firm's personnel upon mutual agreement.

C. Completion Requirement for the 2020 Fiscal Year Audit

The FY2020 audit must be completed no later than 60 days after the end of the City of Houston fiscal year. It is also required that the auditing firm formally presents the completed audit to the Board during a scheduled meeting.

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

A. Statements and Schedules to be prepared by City Staff

The Finance Committee, in coordination with the Zone Consultant, Financial Advisors and Zone Attorney will prepare the necessary schedules normally required for the annual audit. All schedules to be prepared by the TIRZ 27 must be submitted, by written list, to the Zone Consultant two weeks prior to interim field work along with adequate explanatory detail as to the purpose of the schedules and the method of preparing the schedules. Most schedules will be prepared in Excel format.

B. Work Area, Telephones, Photocopying and FAX Machines

TIRZ 27 shall not be responsible to the auditor for the provision of any space, equipment, software or internet/utility access.

C. Report Preparation

Preparation of the annual financial report (AFR), editing, proofing, and printing shall be the responsibility of the auditor. The Auditor will prepare and provide 15 bound copies of the AFR, as well as a PDF file to be posted on the website.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Damon Williams, Zone Consultant
dwilliams@knudsonlp.com
713-463-8200
8588 Katy Freeway, Suite 441
Houston, TX 77024

2. Submission of Proposals

Each firm should submit their proposal in one (1) original and three (3) copies to:

Damon Williams, Zone Consultant
dwilliams@knudsonlp.com
713-463-8200
8588 Katy Freeway, Suite 441
Houston, TX 77024

no later than 3 p.m. on September 9, 2019. Proposals received late will be returned to the bidder unopened and will not be considered.

The following should be included in all proposal submittals:

- i. Table of Contents – Include a clear identification of the material by section and by page number.
- ii. Scope Section – Clearly describe the scope of the required services to be provided, defined in terms of both financial statement examination and compliance examination.
- iii. Audit Staff – Identify the responsible partners and appropriate supervisors who will work on the audit, including staff from other than the local office. Qualifications for each should be included and specific governmental experience should be indicated. The depth of the staff available should be included.
- iv. Audit Approach – Clearly describe your firm’s approach to conducting the examination. All major components should provide the estimated hours to be assigned by the firm. Major components should include the estimated hours anticipated in administrative, planning and report preparation (estimated hours should be segregated from other major components). Include in this description your methodology for accomplishing the varied audit requirements in a timely and efficient manner and any special techniques you may employ to facilitate the audit in the first year.
- v. Profile of the Firm – State whether your firm is local, national or international. Give the location of the office from which the work is to be done and the number of partners, managers, supervisors, seniors and

other professional staff employed at that office and your proposed billing rates for each. Please submit a copy of the report of your firm's most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements. Also provide information on the results of any federal or state desk reviews or field reviews of your audits during the past three (3) years. In addition, provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

- vi. Governmental Experience – Indicate other cities or other governmental entities you have audited in the past three (3) years. What kind of personal approach can your local office offer our TIRZ 27?
- vii. Licenses – An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Texas.
- viii. Insurance – An affirmative statement should also be included that the firm is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- ix. Independence - The firm should provide an affirmative statement that it is independent of the City of Houston and TIRZ 27 as defined by generally accepted auditing standards (GAAS). The firm also should provide an affirmative statement that it is independent of all of the component units of the City of Houston as defined by those same standards. The firm should also list and describe the firm's professional relationships involving TIRZ 27, the City of Houston or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit. In addition, the firm shall give the City of Houston written notice of any professional relationships entered into during the period of this agreement.
- x. Identification of Anticipated Potential Audit Problems – The proposal 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 TIRZ 27 board of directors.
- xi. Additional Data – Give any additional information considered essential to this proposal including involvement in state and local government organizations, seminars, etc.
- xii. Selection Process – The proposals will be reviewed by the Finance Committee, and a recommendation of the most qualified firm shall be made to the TIRZ 27 board of directors. Specific factors for consideration will be based upon technical and cost criteria. Major technical scoring will have emphasis on the firm's experience in municipal auditing, client references to recent municipal audits, qualifications of firm personnel at all levels and comparable municipal audits. Additional consideration will be given for continued education of the firm's personnel and governmental auditing section as well as commitment to governmental accounting and auditing. Demonstration of knowledge of GAAP and the firm's audit approach will also be considered in the technical evaluation.

C. Dollar Cost Bid

The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive not to exceed fee to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

TIRZ 27 will not be responsible for expenses incurred in preparing and submitting the technical proposal or the dollar cost bid. Such costs should not be included in the proposal. The dollar cost bid should include the following information:

A Total All-Inclusive Not to Exceed Fee for auditing services for fiscal year 2020 and an estimate for the cost of the two-year optional extension.

Rates by Partner, Specialist, Supervisory and Staff Level Times and Hours Anticipated for Each.

Rates for Additional Professional Services

VII. EVALUATION PROCEDURES

A. Audit Selection Team

Proposals submitted will be evaluated by the Board and its consultant teams.

B. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals 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 Texas
 - b. The firm has no conflict of interest regarding any other work performed by the firm for TIRZ 27 or the City of Houston
 - c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal
 - d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
 - e. The audit firm's professional personnel have received adequate continuing professional education within the preceding two (2) years to meet the Government Audit Standards.

2. Technical Quality

- a. Expertise and Experience

i. The firm's past experience and performance on comparable government engagements

ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation

iii. The firm's ability to perform additional services and provide technical support throughout the year, including assistance to TIRZ 27 in interpreting and implementing new accounting standards and regulations as well as determining their impact on TIRZ 27. Also, any opportunities available to provide training on current issues or governmental auditing and accounting in general

b. Audit Approach

i. Comprehensiveness of audit work plan

ii. Adequacy of proposed staffing plan for various segments of the engagement

iii. Adequacy of sampling techniques and analytical procedures

iv. Adequacy of study and evaluation of internal accounting and administrative controls

v. Adequacy of audit plan for electronic data processing function

3. Price:

As provided by the State Board of Public Accountancy rules, the contract award will not necessarily be made to the firm that provides the lowest cost proposal but to the firm whose proposal and experience best meets the TIRZ 27's requirements. COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

D. Oral Presentations

During the evaluation process, the Board may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the City or the Board may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The Board reserves the right to conduct pre-contract negotiations with the most successful bidder.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this

request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between TIRZ 27 and the firm selected.

TIRZ 27 reserves the right without prejudice to reject any or all proposals, and at its sole discretion, to accept the proposal it considers most favorable to the TIRZ 27's interest. The TIRZ 27 further reserves the right to reject all proposals and seek new proposals when such procedure is reasonable and in the best interest of the TIRZ 27.