

CONTRACT FOR FINANCIAL AUDIT SERVICES

This CONTRACT dated the 5th day of September, 2023 by and between the City of Fruita, Colorado, a government entity in the County of Mesa, State of Colorado, hereinafter in the Contract Documents referred to as the "City" and McMahan and Associates, LLC, hereinafter in the Contract Documents referred to as the "Contractor."

WITNESSETH:

WHEREAS, the City advertised that sealed Proposals would be received for furnishing all labor, tools, supplies, equipment, materials, and everything necessary and required for the Project described by the Contract Documents and known as Financial Audit Services RFP dated July 13, 2023.

WHEREAS, the Contract has been awarded to the above named Contractor by the City, and said Contractor is now ready, willing and able to perform the Work specified in accordance with the Contract Documents;

NOW, THEREFORE, in consideration of the compensation to be paid the Contractor, the mutual covenants hereinafter set forth and subject to the terms hereinafter stated, it is mutually covenanted and agreed as follows:

ARTICLE I

Contract Documents: It is agreed by the parties hereto that the following list documents which are attached hereto, bound herewith, or incorporated herein by reference constitute and shall be referred to either as the "Contract Documents" or the "Contract", and all of said documents taken together as a whole constitute the Contract between the parties hereto, and they are fully a part of this agreement as if they were set out verbatim and in full herein:

1. RFP Solicitation Documents for Financial Audit Services dated July 13, 2023 including:
 - a. RFP for Financial Audit Services dated July 13, 2023
 - b. Addenda #1 dated July 31, 2023
 - c. Appendix A to the RFP – General Contract Terms, and
 - d. Appendix B to the RFP – Insurance Requirements
2. Contractor's Proposal dated August 4, 2023 in Response to the Solicitation

ARTICLE 2

Definitions: The clauses provided in the Solicitation apply to the terms used in the Contract and all the Contract Documents.

ARTICLE 3

Contract Work: The Contractor agrees to furnish all labor, tools, supplies, equipment, materials, and all that is necessary and required to complete the tasks associated with the Work described, set forth, shown, and included in the Contract Documents as indicated in the Solicitation Document. This contract shall be for four years beginning with the audit of the financial statements for fiscal year ending December 31, 2023 through December 31, 2026. The City reserves the right to extend this Contract for one additional four-year term subject to the satisfactory negotiation of terms and annual availability of budget appropriation.

ARTICLE 4

Contract Price and Payment Procedures: The Contractor shall accept as full and complete compensation for the performance and completion of all the Work specified in the Contract Documents the amounts noted below for the Standard Audit Services for the fiscal year so audited. If the Finance Director determines a single audit is necessary the Contractor will accept the amount(s) noted below for Single Audit services for the fiscal year so audited. The parties agree that the Contractor shall be entitled to submit progress billing statements on a monthly basis, detailing the work completed during that period, and the City shall make payments accordingly within 30 days of receipt. The amount of the Contract Price is subject to annual appropriation by the Fruita City Council for the use and benefit of this Project. The parties agree that the City's payment of any monies under this Agreement is subject to annual budget appropriations as required by provisions of the Taxpayers' Bill of Rights ("TABOR") contained in Article X, Section 20 of the Colorado Constitution, as amended. The parties further agree that any failure to fund the obligations set forth herein as a result of TABOR-related monetary constraints shall not give rise to any legal or equitable cause of action whatsoever. The Contract Price shall not be modified except by Change Order or other written directive of the City. The City shall not issue a Change Order or other written directive which requires additional work to be performed, which work causes the aggregate amount payable under this Contract to exceed the amount appropriated for this Project, unless and until the City provides Contractor written assurance that lawful appropriations to cover the costs of the additional work have been made.

	Financial Audit Services		
Fiscal Year Audited	Standard Audit Services	Single Audit Services	Total
2023	\$ 29,500	\$ 5,500	\$ 35,000
2024	\$ 31,000	\$ 5,800	\$ 36,800
2025	\$ 32,600	\$ 6,100	\$ 38,700
2026	\$ 34,250	\$ 6,450	\$ 40,700

ARTICLE 5

Contract Binding: The City and the Contractor each binds itself, its partners, successors, assigns and legal representatives to the other party hereto in respect to all covenants, agreements and obligations contained in the Contract Documents. The Contract Documents constitute the entire agreement between the City and Contractor and may only be altered, amended, or repealed by a duly executed written instrument. Neither the City nor the Contractor shall, without the prior written consent of the other, assign or sublet in whole or in part its interest under any of the Contract Documents and specifically, the Contractor shall not assign any moneys due or to become due without the prior written consent of the City.

ARTICLE 6

Severability: If any part, portion, or provision of the Contract shall be found or declared null, void, or unenforceable for any reason whatsoever by any court of competent jurisdiction or any governmental agency having the authority thereover, only such part, portion or provision shall be affected thereby and all other parts, portions and provisions of the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, City of Fruita, Colorado, has caused this Contract to be subscribed; and the Contractor has signed this Contract the day and the year first mentioned herein.

McMahan and Associates, LLC

By: _____
Michael N. Jenkins, Managing Member Date

City of Fruita, Colorado

By: _____
Joel Kincaid, Mayor Date



City of Fruita, Colorado
Request for Proposal
for

FINANCIAL AUDIT SERVICES

JULY 13, 2023

The City of Fruita, Colorado is seeking proposals from qualified audit firms to provide financial audit services for 4 years (fiscal years 2023 through 2026), with an option for one 4-year extension. Services will be performed in accordance with the terms and conditions of this proposal.

Response Due: 3:00 pm (Mountain Time) August 4, 2023

Method of
Response: Proposals must be submitted online through the Rocky Mountain E-Purchasing System (RMEPS) at www.bidnetdirect.com/colorado

If website or other problems arise during response submission, Firm MUST contact RMEPS to resolve issue prior to the response deadline (800-835-4603)

Contents: Part 1: Administrative Information and Conditions for Submittal
Part 2: Scope of Services
Part 3: Background on the City of Fruita
Part 4: Preparation and Submittal of Proposals
Part 5: Evaluation Criteria and Factors
Part 6: Solicitation Response Form

Appendix A: General Contract Terms and Conditions
Appendix B: Insurance Requirements

A copy of this RFP may be obtained at <https://www.fruita.org/rfps>

Commodity Codes: 94620 Auditing
91804 Accounting/Auditing/Budget Consulting

PART 1 – ADMINISTRATIVE INFORMATION AND CONDITIONS FOR SUBMITTAL

- 1.1 **Contact Information:** All questions, inquiries, comments or communication pertaining to the RFP must be directed in writing to the Project Manager:

Project Manager

Margaret Sell, Finance Director
City of Fruita, 325 E Aspen, Fruita. CO 81521
msell@fruita.org

- 1.2 **Acceptance of Proposal Content:** The selected proposal shall become a part of the Contract Documents. A proposal submitted in response to this RFP shall constitute a binding offer which shall be acknowledged by the Offeror on the Letter of Interest or Cover Letter. The Offeror must be legally authorized to execute a Letter of Interest or Cover Letter together with contractual obligations. By submitting a proposal, the Offeror accepts all terms and conditions including compensation, as set forth herein. An Offeror shall identify, clearly and thoroughly, any variations between its proposal and the City's RFP requirements. Failure to do so may be deemed a waiver of any right(s) to subsequently modify the term(s) of performance, except as specified in the RFP.
- 1.3 **Addenda:** All questions shall be submitted in writing. Any interpretations, corrections and changes to this RFP or extensions to the opening date shall be made by a written Addendum to the RFP. Addenda will be issued electronically through the Rocky Mountain E-Purchasing website at www.bidnetdirect.com/colorado. Offerors shall acknowledge receipt of all addenda in its proposal.
- 1.4 **Exceptions and Substitutions:** All proposals meeting the intent of this RFP shall be considered for award. An Offeror taking exception to the specifications does so at the Offeror's own risk. The City reserves the right to accept or reject any or all substitutions or alternatives. When offering substitutions and/or alternatives, Offeror must state any exception(s) in the section to which the exception(s) pertain(s). Exception/substitution, if accepted, must meet, or exceed the stated intent and/or specification(s). The absence of stated exception(s) indicates that the Offeror has not taken exception(s), and if awarded a Contract, shall hold the Offeror responsible to perform in strict accordance with the Contract Documents
- 1.5 **Confidential Material:** All materials submitted in response to this RFP shall ultimately become public record and shall be subject to inspection after Contract

award. "Proprietary or Confidential Information" is defined as any information that is not generally known to competitors and which provides a competitive advantage. Unrestricted disclosure of proprietary information places it in the public domain. Only submittal information clearly identified with the words "Confidential Disclosure" and uploaded as a separate document may establish the information confidential or proprietary. Any material to be treated as confidential or proprietary in nature must include a written explanation for the request. Consistent with the Colorado Open Records Act (CORA), the request shall be reviewed and decided by the City. If denied, the Offeror will have the opportunity to withdraw its proposal, or to remove the confidential or proprietary information. Neither cost nor pricing information nor the entire proposal may be claimed as confidential or proprietary.

1.6 **Minimal Standards for Responsible Prospective Offerors:** The Offeror must affirmatively demonstrate its responsibility. A prospective Offeror must meet the following minimum requirements:

- Be able to comply with the required or proposed completion schedule.
- Have a satisfactory record of performance of projects of similar scope and size.
- Have a satisfactory record of integrity and ethics.
- Be otherwise qualified and eligible to receive an award and enter into a Contract with the City.

1.7 **Open Records:** All proposals will be open for public inspection after the Contract is awarded.

1.8 **Sales Tax:** The City of Fruita is exempt from State, County, and Municipal Taxes and Federal Excise Tax; therefore, all fees shall not include taxes.

1.9 **Public Opening:** Proposals shall be opened publicly immediately following the proposal deadline. Offerors, its representatives and interested persons may be present.

Solicitation Opening, Financial Audit Services
August 4, 2023, 3:00 – 3:15 PM (Mountain Time)

1.10 **Laws, Codes, Rules, and Regulations:** Firm shall ensure that all Services provided meet all Federal, State, County, and City laws, codes, rules, regulations, and requirements for providing such Services.

1.11 **Contract:** The Contract expresses the complete agreement of the parties, and performance shall be governed solely by the specifications and requirements contained therein. A binding Contract shall consist of:

- the RFP, Appendices and any Addendum(s) thereto,
- the Offeror's response (Proposal) to the RFP,
- clarification of the Proposal, if any, and
- the City's acceptance of the proposal by "Notice of Award."
- all Exhibits and Attachments included in the RFP shall be incorporated into the contract by reference.

Any change to the Contract, whether by modification and/or supplementation, must be accomplished by a formal Contract Amendment signed and approved by and between the duly authorized representative of the Offeror and the City Manager prior to the effective date of such modification. The Offeror expressly and explicitly understands and agrees that no other method and/or no other document, including acts and oral communications by or from any person, shall be used or construed as an amendment or modification to the Contract.

1.12. **Request for Proposal Time Schedule:**

- Request for Proposal available July 13, 2023
- Inquiry deadline, no questions after this date July 27, 2023
- Addendum Posted July 31, 2023
- Submittal deadline for proposals August 4, 2023
- Owner evaluation of proposals August 4 thru August 9, 2023
- Interviews (if required) August 10 thru August 15, 2023
- Final selection August 16, 2023
- Contract execution August 22, 2023
- Services begin no later than Upon Contract Execution

PART 2 – SPECIFICATIONS – SCOPE OF SERVICES

2.1 **Scope of Services:** The City of Fruita is soliciting a Firm to audit the City's financial statements and express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles (GAAP). The financial statements to be subjected to audit are those contained in the City's Financial Statements.

The examination shall also cover all City funds and any component or related entities which may exist at the time of the audit. At present the City's funds include, although the audit may not be limited to, the following:

Governmental Funds:

General Fund
Conservation Trust Fund (SR)
Economic Development Fund (SR)
Marketing & Promotion Fund (SR)
Public Places Fund (SR)
Community Center Fund
Capital Projects Fund
Debt Service Fund

Proprietary Funds

Devils Canyon Center Fund
Irrigation Water Fund
Sewer Fund
Trash Fund

Internal Service Fund

Fleet Maintenance Fund

Fiduciary Funds

School District Private Purpose Trust
Defined contribution retirement plans:
 General Retirement Plan
 Executive Retirement Plan
 Police Officers Retirement Plan

Blended Component Unit

Fruita Housing Authority

2.2 **Term of Contract:** This contract shall be for a four-year term for audits conducted for fiscal years ending on December 31, 2023 through December 31, 2026. The City reserves the right to extend this Contract for one (1) additional four-year period (fiscal years ending December 31, 2027 through December 31, 2030) subject to the satisfactory negotiation of terms, and the annual availability of budget appropriation. The Fruita City Charter prohibits the use of the Firm for more than eight (8) consecutive years. General terms and conditions to be included in the contract are attached as Appendix A and insurance requirements are attached as Appendix B.

2.3 **Auditing Standards to be Followed:** The audit shall be performed in accordance with generally accepted auditing standards (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA), and include financial and appropriate compliance matters as contained in the Fruita City Charter, and any applicable state and federal regulations.

When applicable, the examination shall include a compliance audit of federal funds in accordance with the Office of Management and Budget's (OMB's) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2.4 **Reports to be Issued:** Following completion of the audit of the year's financial statements, the auditor shall issue the following reports:

- 2.4.1 A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including when applicable, an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements.
- 2.4.2 A report on compliance and internal control over compliance applicable to each major federal program, if applicable.
- 2.4.3 In the required report[s] on compliance and internal controls, the auditor shall communicate any significant deficiency or material weakness found during the audit. A significant deficiency shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness shall be defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses shall be identified as such in the report.

Control deficiencies discovered by the auditors that are neither significant deficiencies nor material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report[s] on compliance and internal controls. A control deficiency shall be deemed to have occurred whenever the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

The report on compliance and internal controls shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.

- 2.5 **Irregularities and illegal acts.** Auditors are required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which it becomes aware to the following parties: Fruita City Council and Mayor, City Manager, and Finance Director

2.6 **Reporting to the City Council.** Prior to July 31 and after the conclusion of the audit, Auditors shall report to the City Council on the following:

- 2.6.1 The auditor's responsibility under generally accepted auditing standards
- 2.6.2 Significant accounting policies
- 2.6.3 Management judgments and accounting estimates
- 2.6.4 Significant audit adjustments
- 2.6.5 Auditor's judgments about the quality of the entity's accounting principles
- 2.6.6 Other information in documents containing audited financial statements
- 2.6.7 Disagreements with management
- 2.6.8 Management consultation with other accountants
- 2.6.9 Major issues discussed with management prior to retention
- 2.6.10 Difficulties encountered in performing the audit

2.7 **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 the need to extend the retention period. The auditor will be required to make working papers promptly available, upon request, to the following parties or their designees:

- 2.7.1 City of Fruita
- 2.7.2 U.S. Government Accountability Office (GAO)
- 2.7.3 Parties designated by the federal or state governments or by the City as part of an audit quality review process
- 2.7.4 Auditors of entities of which the City is a subrecipient of grant funds
- 2.7.5 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.

2.8 **Timing of Audit Work:** Each of the following should be completed by the dates indicated, unless otherwise approved by both the city and Firm. Pre-closing interim tests, and procedures shall be conducted at a mutually agreeable time.

- 2.8.1 **Detailed Audit Plan.** Firm shall provide the City a detailed audit plan and a list of all schedules to be prepared by the City by February 15 of each year.
- 2.8.2 **Fieldwork.** The audit fieldwork will be completed by May 31. Fieldwork may be completed remotely, on City premises, or a combination of remotely and on City premises as mutually agreed to by the City and Firm. If on premises, the

City will provide space deemed adequate to efficiently conduct the audit. Historically, one (1) lead auditor and 2-3 additional auditors are needed for up to approximately four (4) days.

2.8.3 City Prepared Reports.

Fund Financial Statements, Notes and Required Supplementary Information. The City shall have drafts ready for auditing on the first day of field work.

Financial Statements. The City shall complete the management's discussion and analysis, government wide financial statements, fund financial statements, notes, and required supplementary information one week after completion of fieldwork. The Auditor shall provide all corrections, suggestions and comments to the City by June 15.

2.8.4 Auditor Prepared Reports.

Opinion Letters, Single Audit Reports, and Management Letter. The auditor shall have drafts of the audit report[s] and recommendations to management available for review by the City by June 22. The City shall have all comments and suggestions on these items by June 26th. The Auditor will provide an electronic version of the final reports by June 30 to the Project Manager.

PART 3 – DESCRIPTION OF THE CITY OF FRUITA

- 3.1 **Project Manager.** The auditor's principal contact with the City will be Margaret Sell, Finance Director. During the Project, all notices, letters, submittals, and other communications directed to the City shall be e-mailed or delivered to:

City of Fruita
Attn: Margaret Sell, Finance Director
325 E Aspen
Fruita, CO 81521
msell@fruita.org

- 3.2 **Background Information:** The City of Fruita is a home-rule municipal corporation located in Mesa County, Colorado with an estimated population of 13,800 residents. It is situated in the western part of the state, near the Colorado-Utah border and is a popular destination for outdoor enthusiasts due to its proximity to several natural attractions. The City provides a range of municipal services including public works,

engineering, public safety, parks and recreation including a recreation center, planning and zoning, and utilities.

The City operates under a council-manager form of government. The city is governed by an elected City Council consisting of a mayor and six council members. The City has approximately 84 full-time employees and a number of part time staff (approximately 40 FTE's).

- 3.3 **Finance Operations.** The City's fiscal year starts on January 1 and ends on December 31. The accounting and financial reporting functions of the City are generally centralized. The Finance Division includes 4 full-time employees and include payroll, accounts payable, utility billing, cash management, fixed assets, and accounting services.
- 3.4 **Financial Software:** The City utilizes Springbrook Software for its' financial, payroll and utility billing software packages.
- 3.5 **Prior Financial Statements.** More detailed information on the City and its finances can be found in prior years' Financial Statement on the City's website at: <https://www.fruita.org/administration/page/financial-statements>
- 3.6 **Prior Audit Workpapers.** The city contracted with the auditing firm of Chadwick, Steinkirchner, Davis and Co., P.C. (CSD) for the past eight (8) years. CSD is not eligible to submit a response to this RFP due to City Charter restrictions limiting an Firm to perform audits for the City for more than eight (8) consecutive years.

Lisa Hemann, CPA and Director of Audit Services may be contacted for access to prior audit workpapers at lisah@csdcpa.com.

PART 4 – PREPARATION AND SUBMITTAL OF PROPOSALS

- 4.1 **Submission:** Each proposal shall be submitted in electronic format only, and only through the Rocky Mountain E-Purchasing website at the following link: www.bidnetdirect.com/colorado. This site offers both "free" and "paying" registration options which allow for full access of the City's documents and for electronic submission of proposals. (Note: "free" registration may take to 24 hours to process. Please plan accordingly.)

If website or other problems arise during response submission, Offeror MUST contact RMEPS to resolve issue prior to the response deadline (800-835-4603). For proper

comparison and evaluation, the City requests that proposals be formatted as directed in this Part. Firms are required to indicate their interest in this Project, show its specific experience and address its capability to perform the Scope of Services in the Time Schedule as set forth herein.

- 4.2 **Cover Letter:** A cover letter shall be provided which explains the Firm's interest in the Project, the Firm's understanding of the work to be completed, and a statement that the proposal is a firm and irrevocable offer for 60 days.

The letter shall contain the name, address, phone number, and email of the person who will serve as the Firm's principal contact person and shall identify individual(s) who will be authorized to make presentations on behalf of the Firm. The statement shall bear the signature of the person having proper authority to make formal commitments on behalf of the Firm. By submitting a response to this solicitation, the Firm agrees to all requirements herein.

- 4.3 **Technical Proposal.** The Technical Proposal should demonstrate the qualifications, competence and capacity of the Firm and the particular staff to be assigned to this engagement to undertake an independent audit of the City in conformity with the requirements of this request for proposals. The Technical Proposal should also specify an audit approach that will meet the requirements of this request for proposals. While additional data may be presented, the following items must be included. They represent the criteria against which the proposal will be evaluated.

4.3.1 **Independence.** The firm should provide an affirmative statement that is independent of the City as defined by generally accepted auditing standards/the U.S. Government Accountability Office's Government Auditing Standards (1994).

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

4.3.3 **Firm Qualifications and Experience.** Firm shall provide a statement of qualifications indicating the Firm's qualifications, experience with similar audits, size of the firm's governmental audit staff, technical expertise, and capability to perform the Services.

Firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

Firm 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.

4.3.4 Partner, Supervisory and Staff Qualifications and Experience.

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 over the term of the agreement will be assured.

4.3.5 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 - 5) performed in the last five years that are similar to the engagement described in this request for proposal. Indicate the scope of work, date, engagement partners, and the name and telephone number of the principal client contact.

4.3.6 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 Part 2 of this request for proposal. Proposers will be required to provide the following information on their audit approach:

- Level of staff and number of hours to be assigned to each proposed segment of the engagement
- Sample size and the extent to which statistical sampling is to be used in the engagement.
- Approach to be taken to gain and document an understanding of the City's internal control structure
- Approach to be taken in determining laws and regulations that will be subject to audit test work
- 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 City.

4.3.7 Additional Data (optional): Provide any additional information which will aid in the evaluation of the Firm's qualifications with respect to this Project.

- 4.4 **Dollar Cost Proposal**. Provide an all-inclusive, not to exceed cost using the Solicitation Response Form found in Part 6. The Solicitation Response Form includes a number of statements that are acknowledged as true by the signer who is legally responsible for the offer with regard to supporting documentation and prices provided and acknowledges receipt of addenda to the Request for Proposals.

The City will not be responsible for expenses incurred in preparing and submitting the Technical Proposal or the Dollar Cost Proposal. Such costs should not be included in the proposal.

PART 5: EVALUATION CRITERIA AND FACTORS

- 5.1. Evaluations of proposals will be done in accordance with the criteria and procedure defined herein. The following parameters will be used to evaluate the submittals (with weighted values): The rating scale shall be from 1 to 5, with 1 being a poor rating, 3 being an average rating, and 5 being an outstanding rating.

WEIGHTING VALUES	QUALIFICATION	STANDARD
30%	Scope of Proposal	Does the proposal address all elements of the RFP? Does the proposal show an understanding of the project objectives, methodology to be used and results/outcomes required by the project?
30%	Firm Capability and Reputation	Does the firm have the resources, financial strength, capacity and support capabilities required to complete a comprehensive audit? Has the firm successfully completed previous audits of this type and scope? Are sufficient people of the requisite skills and qualifications assigned to the project?
20%	Cost	Does the cost compare favorably with the Project Manager's estimate and other proposals? Does the firm take any exceptions to the audit submittal dates
20%	Schedule	Are there any exceptions to the schedule outlined for completion of phases of the work to be performed?

- 5.2 The City may undertake negotiations with the top-rated Firm and will not negotiate with lower rated Firms unless negotiations with higher rated Firms have been unsuccessful and terminated. The City reserves the right to reject any and all proposals.
- 5.3. Oral Interviews: The City reserves the right to invite the most qualified rated Firm(s) to participate in oral interviews. These interviews may be conducted virtually or in person.

PART 6: SOLICITATION RESPONSE FORM

A. TOTAL NOT TO EXCEED COST

ALL INCLUSIVE NOT TO EXCEED COST				
Audit Year	Standard Audit	Single Audit	Expenses	Total
2023				
2024				
2025				
2026				

Firm must submit entire Form completed, dated, and signed. Attach additional pages, if needed, to show direct and indirect costs and out-of-pocket expenses.

B. Proposer Guarantees

1. The undersigned Firm agrees to provide services and products in accordance with the terms and conditions contained in this Request for Proposal and as described in the Firm’s proposal attached hereto; as accepted by the City. This offer is firm and irrevocable for sixty (60) days after the time and date set for receipt of proposals.
2. Prices in the proposal have not knowingly been disclosed with another provider and will not be prior to award.
3. Prices in this proposal have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition.
4. No attempt has been made nor will be to induce any other person or Firm to submit a proposal for the purpose of restricting competition.
5. The individual signing this proposal certifies it is a legal agent of the Firm, authorized to represent the Firm and is legally responsible for the offer with regard to supporting documentation and prices provided.

C. RECEIPT OF ADDENDA: The undersigned Firm acknowledges receipt of Addenda to the Solicitation, Specifications, and other Contract Documents. It is the responsibility of the Firm to ensure all Addenda have been received and acknowledged.

State number of Addenda received: _____

Company Name – (Typed or Printed)

Authorized Agent – (Typed or Printed)

Authorized Agent Signature

Phone Number

Address of Firm

E-mail Address of Agent

City, State, and Zip Code

Date



REQUEST FOR PROPOSAL FOR FINANCIAL AUDIT SERVICES

ADDENDUM #1

Date Issued: July 31, 2023
Question Deadline: July 27, 2023
Proposal Due: August 4, 2023

Response to Questions: This Addendum #1 is hereby issued to supplement the Request for Proposal for Financial Audit Services with answers to questions received prior to the deadline.

1. Does the City anticipate that a Single Audit will be required for 2023 – 2026? If so, please identify the most significant federal programs providing funding (or expected to provide funding) to the city.

YES. The most significant federal programs currently identified include:

- a. American Rescue Plan Funds (AL #21.027) total funding of \$3.4 million (NEU distribution) for fiscal years 2023 thru 2026.
- b. Coronavirus State and Local Fiscal Recovery Funds (AL #21.027) passed through CDOT grant award in the amount of \$2,170,000 anticipated for fiscal year 2024 thru 2025
- c. The City's most recent single audit was conducted for fiscal year 2020.

2. Have the City's auditors reported significant deficiencies or material weaknesses in internal controls in either of the prior two audit periods?

NO. No significant deficiencies or material weaknesses in internal controls were reported in 2021 or 2022. The City has not received any Management Letters issued by the City's auditors in connection with the 2020 or 2021 financial statements.

3. Please provide copies of the adjusting journal entries provided by the City's auditors for the 2021 and 2022 financial statements.

N/A. There were no adjusting entries provided by the City's auditors for the 2021 or 2022 financial statements.

4. Have there been or are there anticipated to be any significant or unusual transactions or events in 2023?

YES.

- a. The City of Fruita created a new Fruita Housing Authority which will be reported as a blended component unit in 2023.
- b. It is anticipated that there will be several property transactions, both purchase and sale, which are unusual for the City of Fruita.
- c. Implementation of GASB 96 for SBITA's.

5. Please identify any new agreements entered into by the city in 2023 that are expected to have a significant impact on the City's finances.

None identified at this time.

6. Does the City anticipate significant impact on the financial statements from the adoption of GASB Statement No. 96 – Subscription Based IT Arrangements?

NO. The City is currently evaluating SBITA's for inclusion in the 2023 Financial Statements. The city will use DebtBook software to implement GASB 96.

7. Were the City's audits for 2022 and 2021 conducted remotely, on-site, or hybrid? How many auditors on-site and off-site days did the prior year auditor provide split between interim audit and final fieldwork? What are your expectations on this topic?

The previous auditing firm is conveniently located within a 15-minute drive from our office. There were 3 staff auditors and one principal auditor on-site for 4 days of fieldwork and then some additional time to wrap up at their office. They did not do interim work.

Looking ahead, I anticipate that the initial year of the audit will focus more on on-site work to provide a better understanding and familiarity of the processes and procedures of both the city and the auditing firm. Subsequent audits could then shift towards increased reliance on remote work.

8. Did the City and its auditor comply with the same schedule and timing for the 2021 and 2022 audit work as outlined in the RFP?

Yes.

9. What was the City's audit fee for the 2021 and 2022 audits? Please identify any additional services included in these fees. Please provide a breakdown of the 2022 audit fee by category as stated in the RFP document.

The City's standard audit fees were \$24,750 for 2021 and \$25,550 for 2022. The last single audit required for the city was in 2020 and the single audit fee was \$5,500. The prior auditor was a local firm, and no additional expenses or services were included in these fees.

10. Please identify financial, logistical, or other problems encountered in the 2022 audit, if any.

There were none.

11. Besides the Community Center, what other locations handle significant financial documents and processes?

The majority of financial documents and processes take place at the Fruita Civic Center administrative offices. In addition, the Fruita Community Center (recreation facility) also handles a significant number of daily transactions. Other locations (police, public works, and sewer treatment) handle minimal financial documents and processes.

12. What significant variances from the 2023 budget has the city experienced (or anticipates for the balance of the year)?

The most notable differences anticipated from the 2023 Amended Budget are as follows:

- a. Capital projects and equipment – funds initially allocated for projects that will not be completed within the current year and will need to be reallocated for the following year, and
- b. Higher interest income than what was originally budgeted for.

As of now, the most significant items that resulted in amendments to the 2023 Original Budget include:

- a. Transactions involving the purchase and sale of real property,
- b. Unexpected repairs/replacements of equipment at the wastewater treatment plant,
- c. Funds received from Insurance for damages,
- d. Grants awards and related expenses not accounted for in the original budget, and
- e. Reappropriation of funds for capital projects/equipment not completed in the prior year.

13. Do you expect any significant changes at the city that may add significant time to the audit in FY 2023 and in the future?

We do not anticipate changes that will add significant time to the audit. However, we have identified the following changes which should be noted.

- a. The Finance Director is scheduled to retire in 2024. There is a planned overlapping training period between their retirement and the recruitment of new staff to facilitate a seamless

transition. In addition, there has been increased training of existing staff over the last several years in preparation for this change.

- b. The City established a new Building Inspection Division in 2023 and the process of creating and developing internal controls and procedures for ensuring accurate recording of transactions.
- c. The Fruita Housing Authority was formed in early 2023 and will be reported as a blended component unit of the City. Activity should be fairly limited in 2023. Financial controls, documentation of procedures and reporting requirements for the Fruita Housing Authority are in the process of being developed.

14. What did you like about the prior auditor's process and what improvements are you expecting with a new auditor?

I found the prior auditor's practice of providing a list of required information (PBC's) early in the audit process to be beneficial in facilitating an accurate and timely exchange of essential data.

- ✱ As we transition to a new auditor, I anticipate a learning phase for both the City and the new auditor to adapt to each other's processes and procedures. With the arrival of the new auditor, I
- ✱ look forward to gaining fresh perspectives on the City's financial transactions and procedures.
- ✱ Their insights may find areas for improvement and potential issues of concern, ultimately
- ✱ contributing to the City's fiscal well-being.

APPENDIX A – GENERAL CONTRACT TERMS & CONDITIONS

- 1.1 **Acceptance of RFP Terms:** A proposal submitted in response to this RFP shall constitute a binding offer which shall be acknowledged by the Offeror on the Letter of Interest or Cover Letter. The Offeror must be legally authorized to execute a Letter of Interest or Cover Letter together with contractual obligations. By submitting a proposal, the Offeror accepts all terms and conditions including compensation, as set forth herein. An Offeror shall identify clearly and thoroughly any variations between its proposal and the City's RFP requirements. Failure to do so may be deemed a waiver of any right(s) to subsequently modify the term(s) of performance, except as specified in the RFP.
- 1.2 **Execution, Correlation, Intent, and Interpretations:** The Contract Documents, shall be signed by the City and the Firm. By executing the Contract, the Firm represents its familiarized itself with the local conditions under which the Service(s) is to be performed and correlated its observations with the requirements of the Contract Documents. The intention of the Contract Documents is to include all labor, materials, equipment, services, and other items necessary for the proper execution and completion of the Scope of Services as defined in the technical specifications contained herein.
- 1.3 **Permits, Fees, & Notices:** The Firm shall secure and pay for all permits, governmental fees, and licenses necessary for the proper execution and completion of the Services. The Firm shall give all notices and comply with all laws, ordinances, rules, regulations, and orders of any public authority, including the City, bearing on the performance of the Service(s). If the Firm observes that any of the Contract Documents are at variance in any respect, it shall promptly notify the City in writing, and necessary changes will be made. If the Firm performs any Services knowing it to be contrary to such laws, ordinances, rules, and regulations, and without such notice to the City, it shall assume full responsibility and shall bear all costs attributable to the non-conforming Services.
- 1.4 **Responsibility for those Performing the Services:** The Firm shall be responsible to the City for the acts and omissions of all its employees and all other persons performing any of the Services under the Contract with the Firm.
- 1.5 **Payment & Completion:** The Contract Sum is stated in the Contract and is the total amount payable by the City to the Firm for the performance of the Service(s) under the Contract. Upon receipt of written notice that the deliverable(s) is ready for final inspection and acceptance and upon receipt of application for payment, the City will promptly make such inspection and, when the City finds the Service(s) acceptable under the Contract and the Contract fully completed, the City shall make payment in the manner provided in the Contract Documents. Partial payments will be based upon

estimates, prepared by the Firm, of the value of Service(s) performed in accordance with the Contract Documents. The Service(s) performed by the Firm shall be in accordance with generally accepted professional practices and the level of competency presently maintained by other practicing professional Firms in the same or similar type of Service(s) in the community. The Service(s) to be performed by the Firm hereunder shall be done in compliance with applicable laws, ordinances, rules, and regulations.

- 1.6 **Changes in the Services:** The City, without invalidating the Contract, may order changes in the Services within the general scope of the Contract consisting of additions, deletions, or other revisions. All such changes in the Services shall be authorized by Change Order/Amendment and shall be executed under the applicable conditions of the Contract. A Change Order/Amendment is a written order to the Firm signed by the Purchasing Agent issued after the execution of the Contract, authorizing a change in the Services or an adjustment in the Contract sum or the Contract time.
- 1.7. **Minor Changes in the Services:** The City shall have authority to order minor changes in the Services not involving an adjustment in the Contract Sum or an extension of the Contract Time and consistent with the intent of the Contract Documents.
- 1.8. **Uncovering & Correction of Services:** The Firm shall promptly correct all Services found by the City as defective or as failing to conform to the Contract Documents. The Firm shall bear all costs of correcting such rejected Services, including the cost of the City's additional Services thereby made necessary. The City shall give such notice promptly after discovery of condition. All such defective or non-conforming Services under the above paragraphs shall be removed from the site where necessary and the Services shall be corrected to comply with the Contract Documents without cost to the City.
- 1.9. **Acceptance Not Waiver:** The City's acceptance or approval of Service(s) furnished hereunder shall not in any way relieve the Firm of its responsibility to maintain the high quality, integrity, and timeliness of its Services. The City's approval or acceptance of, or payment for, any Services shall not be construed as a future waiver of any right(s) under this Contract, or of any cause of action arising out of performance under this Contract.
- 1.10. **Change Order/Amendment:** No oral statement of any person shall modify or otherwise change, or affect the terms, conditions or specifications stated in the Contract. All amendments to the Contract shall be made in writing by the City Contract Administrator.
- 1.11. **Assignment:** The Firm shall not sell, assign, transfer, or convey the Contract resulting from this RFP, in whole or in part, without the prior written approval from the City.

- 1.12. **Compliance with Laws:** Proposals must comply with all Federal, State, County and local laws governing the Service and the fulfillment of the Service(s) for and on behalf of the public. The Firm hereby warrants that it is qualified to assume the responsibilities and render the Services described herein and has all requisite corporate authority and professional licenses in good standing as required by law.
- 1.13. **Debarment/Suspension:** The Firm hereby certifies that the Firm is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Governmental department or agency.
- 1.14. **Confidentiality:** All information disclosed by the City to the Offeror for the purpose of the Services to be performed or information which comes to the attention of the Offeror during the course of performing such Services is to be kept strictly confidential.
- 1.15. **Conflict of Interest:** No public official and/or City employee shall have interest in any Contract resulting from this Request for Proposal.
- 1.16. **Contract:** This Request for Proposal, submitted documents, and any negotiations, when properly accepted by the City, shall constitute an enforceable agreement equally binding between the City and the Firm. The Contract represents the entire and integrated agreement between the City and the Firm and supersedes all prior negotiations, representations, or agreements, either written or oral, including the Proposal documents. The Contract may be amended or modified with Change Orders or Amendment.
- 1.17. **Project Manager:** The Project Manager, on behalf of the City, shall render decisions in a timely manner pertaining to the Services proposed and/or performed by the Firm. The Project Manager shall be responsible for approval and/or acceptance of any related performance of the Scope of Services.
- 1.18. **Cancellation of Solicitation:** Any Solicitation may be cancelled by the City or any solicitation response by an Offeror may be rejected in whole or part when it is in the best interest of the City.
- 1.19. **Contract Termination:** The Contract shall remain in effect until any of the following occurs: (1) contract expires; (2) completion of Services; (3) for convenience terminated by either party with a written Notice of Cancellation stating therein the reasons for such cancellation and the effective date of cancellation at least ninety days after notification.

1.20. **Employment Discrimination:** During the performance of any Services, the Firm agrees to:

1.20.1. Not discriminate against any employee or applicant for employment because of race, religion, color, sex, age, disability, citizenship status, marital status, veteran status, sexual orientation, national origin, or any legally protected status except when such condition is a legitimate occupational qualification necessary for the normal operations of the Firm. The Firm agrees to post in conspicuous places, visible to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

1.20.2. In all solicitations or advertisements for employees placed by or on behalf of the Firm, shall state that such Firm is an Equal Opportunity Employer.

1.20.3. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for the purpose of meeting the requirements of this section.

1.21. **Immigration Reform and Control Act of 1986 and Immigration Compliance:** The Firm certifies that it does not and will not during the performance of the Contract employ personnel without authorization services or otherwise violate the provisions of the Federal Immigration Reform and Control Act of 1986 and/or law regulating immigration compliance.

1.22. **Ethics:** The Firm shall not accept or offer gifts or anything of value and/or enter into any business arrangement with any employee, official, or agent of the City.

1.23. **Failure to Deliver:** In the event of failure of the Firm to perform in accordance with the Contract, the City, after due oral or written notice, may procure Services from other sources and hold the Firm responsible for any and all costs resulting in the purchase of additional Services and materials necessary to perform the Service(s). This remedy shall be in addition to any other remedies that the City may have.

1.24. **Failure to Enforce:** Failure by the City at any time to enforce the provisions of the Contract shall not be construed as a waiver of any such provisions. Such failure to enforce shall not affect the validity of the Contract or any part thereof, or the right of the City to enforce any provision of the Contract at any time in accordance with the terms thereof.

1.25. **Force Majeure:** The Firm shall not be held responsible for failure to perform the duties and responsibilities imposed by the Contract due to legal strikes, fires, riots,

rebellions, and acts of God beyond the control of the Firm, unless otherwise specified in the Contract.

- 1.26. **Indemnification:** The Firm shall defend, indemnify and save harmless the City and all its officers, employees, insurers, and self-insurance pool, from and against all liability, suits, actions, or other claims of any character, name and description brought for or on account of any injuries or damages received or sustained by any person, persons, or property to the extent caused by the Firm, or of any Firm's agent, employee, Sub-Contractor or supplier in the execution of, or performance under, the Contract which may result from proposal award. The Firm shall pay any judgment with costs which may be obtained by and/or against the City arising out of or under the performance to the extent caused by the Firm.
- 1.27. **Independent Firm:** The Firm shall be legally considered an independent of the Firm and neither the Firm nor its employees shall, under any circumstances, be considered servants, or agents of the City. The City shall be at no time legally responsible for any negligence or other wrongdoing by the Firm, its servants, or agents. The City shall not withhold from the Contract, payments to the Firm any federal or state unemployment taxes, federal or state income taxes, Social Security, or any other amounts for benefit(s) to the Firm. Further, the City shall not provide to the Firm any insurance coverage or other benefits, including Workers' Compensation, normally provided by the City to its employees.
- 1.28. **Nonconforming Terms and Conditions:** A proposal which includes terms and conditions that do not conform to the terms and conditions of this Request for Proposal is subject to rejection as non-responsive. The City reserves the right to permit the Offeror to withdraw nonconforming terms and conditions from its proposal prior to a determination by the City of non-responsiveness based on the submission of nonconforming terms and conditions.
- 1.29. **Ownership:** All drawings, plans, prints, designs, concepts, renderings prepared pursuant to the Contract, etc., created by the Firm for this Project, shall become the property of the City. All drawings, specifications, copies, and information furnished by the City are, and shall remain, City property.
- 1.30. **Oral Statements:** No oral statement of any person shall modify or otherwise affect the terms, conditions, or specifications stated in this document and/or the Contract. All modifications to this request and any agreement must be made in writing by the City.
- 1.31. **Patents/Copyrights:** The Firm agrees to protect the City from any claims involving infringements of patents and/or copyrights and/or other intellectual property

protections. In no event shall the City be liable to the Firm for any claims, damages, awards and/or Patent/copyright infringement shall null and void any agreement resulting from response to this Request for Proposal.

- 1.32. **Governing Law:** Any agreement made as a result of responding to this Request for Proposal shall be deemed to have been made in, and shall be construed and interpreted in accordance with, the laws of the City of Fruita, Mesa County, Colorado. Any action arising out of or under the Contract shall be in District Court, 21st Judicial District, Mesa County, Colorado.
- 1.33. **Expenses:** Expenses incurred in preparation, submission, and presentation to this Request for Proposal are the responsibility of the Firm and shall not be charged to the City.
- 1.34. **Sovereign Immunity:** The City specifically reserves its right to sovereign immunity pursuant to Colorado Law as a defense to any action arising out of or under this Contract.
- 1.35. **Public Funds/Non-Appropriation of Funds:** Funds for payment have been provided through the City's budget approved by the City Council for the stated fiscal year only. Colorado law prohibits the obligation and expenditure of public funds beyond the fiscal year for which a budget has been approved. Therefore, anticipated orders or other obligations which may arise past the end of the stated City's fiscal year shall be subject to budget approval. The Contract will be subject to and provide a non-appropriation of funds clause.
- 1.36. **Collusion Clause:** Each Offeror by submitting a proposal certifies that it is not party to any collusive action or any action that may be in violation of the Sherman Antitrust Act. Any and all proposal(s) shall be rejected if there is evidence or reason to believe collusion exists among the Offerors. The City may or may not, at its discretion, accept future proposals for the same service or commodities for participants in such collusion.
- 1.37. **Gratuities:** The Firm certifies and agrees that no gratuities or kickbacks were paid in connection with this Contract, nor were any fees, commissions, gifts, or other considerations made contingent upon the award of this Contract. If the Firm breaches or violates this warranty, the City may, at its discretion, terminate the Contract without liability to the City.
- 1.38. **Performance of the Contract:** The City reserves the right to enforce the performance of the Contract in any manner prescribed by law or equity as deemed by the City to be

in the best interest of the City (in the event of breach or default) of resulting Contract award.

- 1.39. **Benefit Claims:** The City shall not provide to the Firm any insurance coverage or other benefits, including Worker's Compensation, normally provided by the City for its employees.
- 1.40. **Default:** The City reserves the right to terminate the Contract in the event the Firm fails to meet delivery or completion schedules, or otherwise perform in accordance with the Contract. Breach of Contract or default authorizes the City to purchase like services elsewhere and charge the full cost to the defaulting Firm.
- 1.41. **Multiple Offers:** If an Offeror submits more than one proposal, THE ALTERNATE PROPOSAL must be clearly marked "Alternate Proposal." The City reserves the right to make award in the best interest of the City.
- 1.42. **Definitions:**
- 1.42.1. "City" is the City of Fruita, Colorado and is referred to throughout the Contract Documents. The term City means the City, or its Project Manager or other authorized representative(s).
- 1.42.2. "Firm" is the person(s), organization, entity, or consultant(s) identified as such in the agreement and is referred to throughout the Contract Documents. The term Firm means the Firm or its authorized representative(s).
- 1.42.3. "Services" includes all labor, materials, equipment, services and/or professional skill necessary to produce the requirements of the Contract Documents.
- 1.43. **Public Disclosure Record:** If the Firm has knowledge of its employee(s) or sub-contractors having an immediate family relationship with an City employee or elected official, the Offeror must provide the Purchasing Agent with the name(s) of the individuals. The individuals are required to file a "Public Disclosure Record," and/or a statement of financial interest, before conducting business with the City.

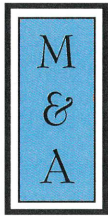
APPENDIX B - INSURANCE REQUIREMENTS

- 1.1. **Insurance Requirements:** The selected Firm agrees to procure and maintain, at its own cost, insurance policies sufficient to insure against all liability, claims, demands, and other obligations assumed by the Firm pursuant to the Contract. Such insurance shall be in addition to any other insurance requirements imposed by this Contract or by law. The Firm shall not be relieved of any liability, claims, demands, or other obligations assumed pursuant to the Contract by reason of its failure to procure or maintain insurance in sufficient amounts, durations, or types.

Firm shall procure and maintain and, if applicable, shall cause any Sub-Contractor of the Firm to procure and maintain insurance coverage listed below. Such coverage shall be procured and maintained with forms and insurers acceptable to City. All coverage shall be continuously maintained to cover all liability, claims, demands, and other obligations assumed by the Firm pursuant to the Contract. In the case of any claims-made policy, the necessary retroactive dates and extended reporting periods shall be procured to maintain such continuous coverage. Minimum coverage limits shall be as indicated below unless specified otherwise in the Special Conditions:

- 1.1.1 Workers' Compensation insurance to cover obligations imposed by the Workers' Compensation Act of Colorado and any other applicable laws for any employee engaged in the performance of Work under this contract, and Employers' Liability insurance with minimum limits of FIVE HUNDRED THOUSAND DOLLARS (\$500,000) each accident, FIVE HUNDRED THOUSAND DOLLARS (\$500,000) disease - policy limit, and FIVE HUNDRED THOUSAND DOLLARS (\$500,00) disease - each employee
- 1.1.2 Comprehensive General Liability insurance with minimum combined single limits of ONE MILLION DOLLARS (\$1,000,000) each occurrence, and ONE MILLION DOLLARS (\$1,000,000) aggregate. The policy shall be applicable to all premises and operations. The policy shall include coverage for bodily injury, broad form property damage (including completed operations), personal injury (including coverage for contractual and employee acts), blanket contractual, independent contractors, products, and completed operations. The policy shall contain a severability of interests provision.
- 1.1.3 Comprehensive Automobile Liability insurance with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS (\$1,000,000) each occurrence and ONE MILLION DOLLARS (\$1,000,000) aggregate with respect to each of Contractor's owned, hired and/or non-owned vehicles assigned to or used in performance of the services. The policy shall contain a severability of interests provision.
- 1.1.4 Professional Liability insurance with minimum limits of ONE MILLION DOLLARS (\$1,000,000) each occurrence and ONE MILLION DOLLARS (\$1,000,000) aggregate.

- 1.1.5 The policies required above, except for the Workers' Compensation insurance, Employers' Liability insurance and Professional Liability insurance, shall be endorsed to include the City, and its officers and employees, as additional insureds. Every policy required above shall be primary insurance, and any insurance carried by the City, its officers, or its employees, shall be excess and not contributory insurance to that provided by Contractor. The additional insured endorsement for the Comprehensive General Liability insurance required above shall not contain any exclusion for bodily injury or property damage arising from completed operations. The Contractor shall be solely responsible for any deductible losses under each of the policies required above.
- 1.1.6 Certificates of insurance shall be completed by the Contractor's insurance agent as evidence that policies providing the required coverages, conditions, and minimum limits are in full force and effect, and shall be subject to review and approval by the City. Each certificate shall identify the Project and shall provide that the coverages afforded under the policies shall not be canceled, terminated or materially changed until at least 30 days prior written notice has been given to the City. If the words "endeavor to" appear in the portion of the certificate addressing cancellation, those words shall be stricken from the certificate by the agent(s) completing the certificate. The City reserves the right to request and receive a certified copy of any policy and any endorsement thereto.
- 1.1.7 Failure on the part of the Contractor to procure or maintain policies providing the required coverages, conditions, and minimum limits shall constitute a material breach of contract upon which the City may immediately terminate the contract, or at its discretion may procure or renew any such policy or any extended reporting period thereto and may pay any and all premiums in connection therewith, and all monies so paid by the City shall be repaid by Contractor to the City upon demand, or the City may offset the cost of the premiums against any monies due to Contractor from the Owner.
- 1.1.8 The parties hereto understand and agree that the City is relying on, and does not waive or intend to waive by any provision of this contract, the monetary limitations (presently \$150,000 per person and \$600,000 per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, '24-10-101 et seq.. 10 C.R.S., as from time to time amended, or otherwise available to the City, its officers, or its employees.



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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E-MAIL: MCMAHAN@MCMAHANCPA.COM

TRANSMITTAL LETTER

August 4, 2023

City of Fruita
325 East Aspen
Fruita, Colorado 81521
Attention: Auditor Selection Committee

Dear Committee members:

In response to the *Request for Proposal – Financial Audit Services* issued July 13, 2023 (the “RFP”) by the City of Fruita, Colorado (“Fruita” or the “City”) with respect to the financial and compliance audits of the City for the fiscal year ending December 31, 2023 and thereafter, we are pleased to submit the attached *Technical Proposal* for your consideration.

Although our proposal addresses the major areas of concern identified by the City in the RFP, I would like to take the opportunity to summarize the reasons why we feel it is in Fruita’s best interest to utilize McMahan and Associates, L.L.C. as your auditors and consultants. Our qualifications are:

- **Practical Solutions to Help Clients Succeed:** Our firm prides itself on doing more than just delivering a “boilerplate” audit report – we strive to provide every client with practical suggestions on improving their business practices and achieving their financial and operational goals. Whether through our on-site suggestions to department heads while obtaining an understanding of the City’s processes or through our Management Letter comments presented to management and the City Council, McMahan and Associates will provide “real world” recommendations to build upon existing systems and controls. While our technical expertise will enable us to provide assistance in compliance-related areas, we also will make operational recommendations which will result in savings for Fruita.
- **Single Audit Assistance:** As part of our audit of the City’s Federal award expenditures, we will electronically prepare the Single Audit *Data Collection Form* for upload to the Federal Audit Clearinghouse. Most firms merely complete their required part of the *Data Collection Form* and leave the client to prepare the uploaded data, or they separately charge for transmission. We perform this procedure without any additional cost to our clients.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

- **Affordable Housing Knowledge:** Our clientele includes numerous housing authorities, low-income housing tax credit projects, and governments with significant affordable housing operations, for whom we provide insightful guidance on such matters as financing alternatives, tax credit filings, tax return preparation for tax credit entities, accounting advice, software concerns, internal control considerations, and compliance with a myriad of HUD and USDA regulations and operating agreements.
- **GFOA Certificate Skills:** We have a large number of clients that participate in the *Certificate of Achievement for Excellence in Financial Reporting Program* established by the Government Finance Officers Association ("GFOA") and actively assist them with their ACFR preparation. We also have a GFOA certificate reviewer on staff. Although the City does not currently issue an ACFR, our background equips us to work alongside your team in maintaining the high quality of the City's financial reporting.

As firm based in the Colorado mountains, our staff prides themselves on community involvement and commitment to client service. Our firm is proud of the assistance we have provided to our clients throughout the years. We have developed long-term working relationships and have helped make our clients financially stronger and operationally more efficient. We look forward to working with you in the coming years to help the City of Fruita achieve its financial and operational goals.

Please do not hesitate to contact me if you have any questions.

Sincerely,

McMAHAN and ASSOCIATES, L.L.C.

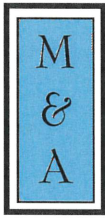


Michael N. Jenkins, CA, CPA, CGMA
Partner

NOTE:

The *Technical Proposal* attached to and hereby made part of this *Transmittal Letter* conveys the interest of McMahan and Associates, L.L.C. in and understanding of the work contemplated by the RFP, and represents a firm and irrevocable offer valid for 60 days from the date of this letter and the *Technical Proposal*. The person signing this letter, who is authorized to make the representations and commitments in the *Technical Proposal* on behalf of McMahan and Associates, L.L.C., is:

Michael N. Jenkins, CA, CPA, CGMA
Partner, McMahan and Associates, L.L.C.
P.O. Box 5850, Avon, Colorado 81620
(970) 845-8800
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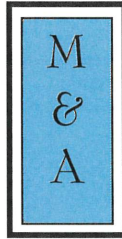
Professional Auditing Services Proposal:

TECHNICAL PROPOSAL

Specially Prepared for:

CITY of FRUITA, COLORADO

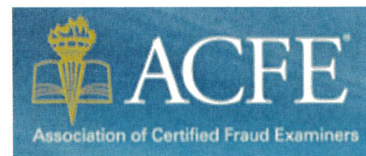




Our Mission Statement

**We are committed to achieving professional excellence
and will continually provide
ethical, progressive, and responsive service
to all our clients.**

Our commitment to professional excellence is evidenced by membership in the following professional bodies:



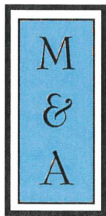
City of Fruita, Colorado

Professional Auditing Services Proposal

TECHNICAL PROPOSAL

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McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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E-MAIL: MCMAHAN@MCMAHANCPA.COM

TECHNICAL PROPOSAL

August 4, 2023

City of Fruita
325 East Aspen
Fruita, Colorado 81521
Attention: Auditor Selection Committee

Dear Committee members:

In response to the *Request for Proposal – Financial Audit Services* issued July 13, 2023 (the “RFP”) by the City of Fruita, Colorado (“Fruita” or the “City”) with respect to the financial and compliance audits of the City for the fiscal year ending December 31, 2023 and thereafter, we are pleased to submit this *Technical Proposal* outlining the qualifications of McMahan and Associates, L.L.C. for your consideration.

Firm Qualifications and Experience

From our offices in Avon, McMahan and Associates has provided professional services to clients throughout Colorado and the Rocky Mountain region for over 50 years.



Unlike many “audit” firms, our practice specialization is not a sideline. McMahan and Associates focuses on providing assurance (financial statement audits, reviews, and compilations) and business consulting services to a clientele that includes more than one hundred local governmental entities. As a result, we are thoroughly familiar with all aspects of financial reporting and compliance for Colorado local governments. Our resort location provides efficiencies to neighboring mountain communities through the elimination of travel costs, along with a greater familiarity with the realities of living and operating in mountain resorts. This uniquely positions our firm to provide insightful guidance to our clients on such matters as affordable housing options, utility enterprises, improvement districts, “Home Rule” municipalities, infrastructure construction, accounting advice, software concerns, internal control considerations, intergovernmental cooperative agreements, and compliance with a myriad of federal and state regulations and operating agreements.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Firm Qualifications and Experience (continued)

In addition to the 3 firm partners (Paul Backes, Michael Jenkins, and Matthew Miller), McMahan and Associates has 15 professional staff and 3 administrative professionals who share our commitment to providing the highest quality auditing and consulting services to our clients. That commitment is rooted in professional development and continuing education, and our shared efforts to anticipate client needs. To this end, all staff meets or exceeds the annual continuing professional education requirements imposed by the Colorado State Board of Accountancy, the American Institute of CPAs ("AICPA"), and *Government Auditing Standards*, with the majority of such course work concentrated on auditing and consulting matters. All staff assigned to Fruita's audit will have prior experience in governmental auditing. It is our belief that this program of continual education and professional development will ensure that our clients are provided with the highest level of service.

McMahan and Associates is a proud member of the Governmental Audit Quality Center of the AICPA, which is dedicated to promoting the importance of quality governmental audits and the value of such services to both governments and the public. Our firm also maintains membership in the AICPA's Private Companies Practice Section ("PCPS"). The PCPS promotes leadership, advocacy, professionalism, and quality of service among local and regional accounting firms across the United States.



We also try to ensure that clients are kept abreast of current developments in financial reporting and other requirements, by periodically issuing letters advising of GASB / FASB pronouncements and other matters of interest to governments. This update service is provided at no cost to our clients.

McMahan and Associates participates in the AICPA's quality control review process. Our firm's 2022 system review report awarded us a "Pass" rating with no letter of comment, which represents the highest level of assurance in the AICPA "peer review" process. A copy of the report is included as Appendix A to this proposal. Due to our firm's concentration in governmental audits, the quality control review included a review of specific government audit engagements.

Our firm and all CPAs on staff are licensed to practice in the State of Colorado. A copy of our firm license is included as Appendix B to this proposal.

Neither the firm nor any staff member has been subject to any complaints or disciplinary actions with state regulatory bodies or professional organizations, as may be evidenced by online inquiry with the Colorado State Board of Accountancy and the AICPA. During the 50-year history of our firm, we have never been subject to litigation relating to our work. Although we have not been subject to any Federal field or state audits during the past 3 years, we are confident that the results of any such review would be excellent. Confirmation of our firm and partner disciplinary records can be verified at:

- <https://apps.colorado.gov/dora/licensing/Lookup/LicenseLookup.aspx> (Colorado)
- <https://us.aicpa.org/forthepublic/disciplinaryactions> (AICPA)

Our Team

We currently anticipate that staffing for Fruita's 2023 audit will be comprised of the primary Partner, the Audit Manager, and two additional staff members. All assigned firm personnel will be utilized on a full-time basis in performing the City's audit. No portion of the audit will be sub-contracted to others, nor will other firms participate in the engagement.



Michael N. Jenkins, CA, CPA, CGMA, will be the principal contact person and partner in charge of Fruita's audit and business advisory services. His 30-plus years of audit, tax, and consulting experience includes 4 years with the international firm Ernst & Young, and more than 20 years with McMahan and Associates. Michael is a member of the Colorado Society of CPAs ("COCPA"), GFOA, and CGFOA; and maintains designations as a Chartered Global Management Accountant and a Chartered Accountant (Canada). He has extensive experience with local governments, non-profits organizations, real estate development and construction entities, employee benefit plans, and related compliance matters.

Michael's continuing professional education coursework related to governmental matters in the past 3 years includes the following:

- Updates in Governmental Accounting and Auditing (annually)
- COCPA Governmental Conferences (annually)
- Yellow Book Update
- Fraud and Risk Assessments
- Critical Challenges in Governmental Accounting
- GAQC Annual Update
- Data Analytics

Taisha French, CPA, will be the Audit Manager supervising Fruita's audit during both on-site fieldwork and "in office" phases. Taisha – who is licensed as a CPA in Colorado– is a member of the COCPA and the AICPA. She has provided professional services to a variety of McMahan and Associates clients, managing firm relationships with numerous governmental entities, non-profit organizations, homeowner associations, and for-profit enterprises for over 8 years.



Some of Taisha's continuing professional education coursework related to governmental matters in the past 3 years includes:

- Updates in Governmental Accounting and Auditing (annually)
- COCPA Governmental Conferences (annually)
- Single Audit & ARPA Grant Funding
- Fraud and Risk Assessments
- Integrating Data Analytics into the Audit Process
- Fraud in Governmental and Not-for-Profit Environments
- Fraud and Internal Controls

Our Team (continued)

Michael and Taisha will be available to meet with members of the Selection Committee at a mutually-convenient time during the timeframes specified in the RFP, should the Selection Committee wish to discuss our proposal or other matters.

Unlike many firms, our partners and managerial staff are highly involved in client audits, and will work on-site alongside the rest of the audit team during fieldwork. We anticipate that two additional team members will be assigned to staff the City's audit, as considered necessary. In order to ensure that Fruita's audit is conducted under the highest standards, we strive to maintain the presence of more senior staff each year and utilize other firm members to bring a fresh outlook in testing client operations. All professional staff assigned to the City's audit will meet the standards for governmental professional education required by the "Yellow Book" issued by the U.S. Government Accountability Office ("GAO") and will have prior experience in governmental auditing.

During the term of our engagement with Fruita, we will expressly advise the City's Finance Director of any significant changes in the staffing of the City's audit, as a matter of professional courtesy and to ensure continuity in our working relationship.

Independence

McMahan and Associates and its staff are independent, as defined by U.S. generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, of the City.

Further, during the term of our engagement with Fruita, we will provide prompt written notice of any personal or professional relationships which could be considered to pose a conflict of interest as defined by the applicable professional standards established by the AICPA and the GAO.

In connection with our proposal, McMahan and Associates hereby warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under the Agreement resulting from the RFP. McMahan and Associates also warrants that, to the best of its knowledge, no officer, agent or employee of the City, who shall participate in any decision relating to this RFP and the resulting Agreement, currently has, or will have in the future, a personal or pecuniary interest in McMahan and Associates' business.

Similar Engagements

We are proud of our long-term relationships with our clients, and have listed below select engagements with operations similar to Fruita's and for whom our firm provides audit and other services:

<u><i>Client</i></u>	<u><i>Scope of Work</i></u>	<u><i>Dates of Service</i></u>	<u><i>Audit Partner</i></u>	<u><i>Contact Person</i></u>
Town of Vail	Audit, compliance, and consulting services	1972 – present	Michael Jenkins	Kathleen Halloran Deputy Town Manager (970) 479-2116
Town of Frisco	Audit (ACFR), compliance, and consulting services	1998 – present	Michael Jenkins	Leslie Edwards Finance Director (970) 668-9138
City of Aspen	Audit (ACFR), compliance, and consulting services	1998 – present	Paul Backes	Peter Strecker Finance Director (970) 920-5007
Eagle County	Audit (ACFR), compliance, tax, and consulting services	2005 – present	Michael Jenkins	Jill Klosterman Chief Financial Officer (970) 328-3511
Routt County	Audit, compliance, and consulting services	2012 – present	Michael Jenkins	Dan Strnad Finance Director (970) 870-5313

Additional references from other clients can be provided upon request.

Audit Approach

At McMahan and Associates, we believe that the goal of every financial statement audit should be the identification of practical opportunities to improve business operations, not just the delivery of a bound audit report, financial statements, or compliance documents. To achieve that result, we work closely with our clients to plan an efficient process that identifies and assesses the client's major risk areas, and then provides realistic suggestions for building on existing systems for financial reporting and control. Our initial contacts with Fruita's staff, therefore, will be focused on learning about the City's systems and controls over financial reporting, and other business processes. We will plan our audit in accordance with professional standards, but will also ensure that we address areas of concern identified by Fruita's management and the City Council.

Audit Approach (continued)

A. Proposed Segmentation and Staffing of Engagement

Our audit approach will be guided by our assessment of the relative risks inherent in each of Fruita's funds. In accordance with professional standards, our risk assessment will be developed through discussions with Fruita's management, and an evaluation of each fund's impact on the City's operations. This risk-based approach permits the most effective use of audit techniques to ensure that, ultimately, Fruita is able to rely upon its internally-generated financial information.

In the initial year of our audits, we find it is most efficient (and effective) for both us and our clients to perform some interim procedures in advance of year-end fieldwork. This would typically entail meeting session with key City departmental staff to document Fruita's operations and internal controls, and to understand how financial data functions is generated.

As noted earlier, we anticipate that staffing for the City's audit will comprise the Engagement Partner, the Audit Manager, and two Audit Associates. The "interim" component of our 2023 audit is currently expected to be 2 days on-site, while the year-end fieldwork, including both on-site visit and remote work, is expected to take approximately 1 week. After completing fieldwork, we will work from our offices to draft reports, review our work papers, and finalizing the engagement.

Based on the documentation provided in the *Request for Proposal*, we currently anticipate that our audit fieldwork for Fruita's 2023 audit would be allocated between major functions as follows:

	Estimated Hours - 2023					
<u>Audit Segment</u>	<u>Partner</u>	<u>Manager</u>	<u>Audit Senior</u>	<u>Audit Associate</u>	<u>Admin.</u>	<u>Total</u>
<i>Systems documentation & testing, tie-out year-end balances, analytical review:</i>						
Administration/ general government	2	32	10	10	-	54
Sewer and trash utilities	1	2	2	5	-	10
Public events and marketing	-	1	4	-	-	5
Public works	-	1	-	5	-	6
Public safety	-	1	4	-	-	5
Parks and recreation	1	2	4	-	-	7
Capital assets and capital outlay	1	2	4	-	-	7
Long-term obligations (Debt/ leases)	1	2	4	-	-	7
GASB 96 implementation	2	4	-	-	-	6
Retirement plans/ fiduciary activities	-	2	4	-	-	6
Housing Authority	2	2	2	-	-	6
<i>Single Audit compliance/ reporting</i>	1	8	5	-	-	14
<i>File review, admin., & follow-up</i>	8	16	-	-	2	26
<i>Review of draft reports</i>	8	8	-	-	-	16
<i>Finalization & presentation</i>	6	4	-	-	-	10
	33	87	43	20	2	185

Audit Approach (continued)

B. *Data analytics and sampling*

Random statistical sampling in auditing is being replaced by data analysis, since reviewing entire financial data populations is generally more efficient and accurate when conducting audits. We have utilized data analysis software since 2020 to review entire data populations and risk-weight transactions, thereby reducing sampling error. Examples of analysis that we regularly perform on client databases include:



- Reviewing payments, journal entries, purchasing card and other data sources for weekend transactions or higher risk vendors.
- Reviewing vendor address databases for comparison to employee address databases.
- Reviewing bank numbers on wire transfers for comparison to employee bank account numbers (through direct deposit payroll).
- Comparison of gross versus net payroll across the employee database.
- Benford's Law analysis (digit predictability) for violations of purchasing policies.
- Reviewing revenue databases for improper credits.
- Reviewing journal entries database for high dollar, weekend, or unusual entries.

Statistical sampling will be used in testing transactions when an applicable database is not available to establish alternative reliance. In such cases, sample sizes would be determined from statistical tables for random sampling, and are dependent on the area being tested. In addition, we will test individual accounts and will perform both preliminary and final analytical reviews of significant or sensitive account balances. Data analysis or statistical sampling will be used in all areas of testing unless considered more efficient or effective to utilize a substantive audit approach.

C. *Computers and the Audit Process*

Our staff utilizes computerized auditing techniques in all phases of our audits. All audit personnel are assigned laptop computers for use in performance of audit fieldwork, including application of audit procedures to Fruita's financial software, as considered necessary. Thus, as part of our audit procedures, we will review the City's internal control over information processing to ensure our understanding of the systems and, as applicable, identify any areas for improvement.

In order to increase audit effectiveness and efficiency, we have implemented auditing software that assists our risk assessment process and links it to the audit procedures we perform. In addition, our audit work and electronic documents (including the financial statements) are linked, thereby integrating all elements of our electronic audit binders. Our "paperless" initiative, implemented in 2005, allows us to quickly access financial and other information to deliver documents and timely responses to client inquiries.

Audit Approach (continued)

D. Analytical Procedures

In accordance with AICPA auditing standards, we employ analytical procedures in the planning stage to identify audit problem areas based on account fluctuations, during fieldwork to determine the reasonability of account balances, and in the post-fieldwork stage to determine any areas that may require additional audit work.

In addition to our computer software, we will utilize Fruita's computer systems, to the extent practical, to extract data to be used for analysis and testing during our audit.

E. Gaining an Understanding of Internal Control Structure

A key factor in an effective (and efficient) audit is to first gain an appropriate understanding of a client's systems and processes, so as to identify not only how transactions are recorded but how those business processes contribute to the entity's overall objectives. Consequently, we invest considerable time during preliminary fieldwork in interviewing management staff to ensure that we have a complete understanding of how Fruita really works. This process also helps us recognize opportunities for improving business processes and tightening up internal controls.



F. Laws and Regulations

McMahan and Associates personnel are thoroughly familiar with State of Colorado budget laws, other State statutes, and the Single Audit Law / Uniform Guidance. Fruita's compliance with these and other laws and regulations will be assessed as part of our audit procedures.

G. Engagement Management and Supervision

To maximize the efficiency of our audit, we will provide you with a list of documents, reconciliations, and work papers needed by February 15th of each year so that the needed information can be prepared and organized in advance of the scheduled fieldwork date. This also helps minimize the disruption of the audit on Fruita's daily operations.

Audit fieldwork for 2023, will be scheduled at a mutually convenient time in April or May 2024, with the goal of ensuring that required filings of the audit and other reports may be completed as outlined in the *Request for Proposal* and within statutory timelines. As noted earlier, it would be advantageous to complete some 2023 interim work for a few days in December 2023 or January 2024, so as to make the year-end process as smooth as possible for all parties.

Audit Approach (continued)

G. Engagement Management and Supervision (continued)

To facilitate communication throughout the audit process, the Audit Manager (Taisha) will be on-site throughout all fieldwork. All audit work papers will be subject to a detailed review by Taisha at our offices. Prior to issuance of the audit and other reports, all work papers, reports, drafts and audit evidence will also undergo a final review by the engagement partner. At the conclusion of fieldwork, we will meet with you and provide you with a complete set of audit adjustments, together with appropriate documentation, for review and approval.

Any findings or recommendations noted in the course of our audit will be discussed with the Finance Director and, as applicable, other appropriate City personnel. Draft reports – including our Governing Board Letter (a.k.a., the “Management Letter”) – will then be reviewed with the Finance Director and, as applicable, appropriate City management personnel before issuance or presentation to City Council by July 31st of each year.

In the interest of efficiency and cost-effectiveness, many of our clients have us prepare their draft financial statements and related notes for their review / approval and incorporation into the final reports. This non-attest service allows clients to focus their efforts on preparation of the MD&A and other high-level reporting functions, in addition to their daily operations. While the RFP contemplates that the Finance Director will prepare the financial statements for 2023 (and such services are not currently included in either our *Technical Proposal* or *Dollar Cost Proposal*), we would be pleased to provide further information if the City wishes to have us assist with this process in the future.

H. Availability of Work Papers

Upon request, we will make our work papers available to the City or approved designees, providing copies of any such requested documents. We will retain all work papers for five years after completion of the audit.

I. Report Format / Communications to the City Council

Our audit reports on Fruita’s financial statements and Single Audit reporting will be designed to comply with U.S. generally accepted auditing standards, *Government Auditing Standards*, the Single Audit Act reporting requirements, and, as applicable, the criteria for the GFOA’s *Certificate of Excellence in Financial Reporting* program.

As required by professional standards, we will communicate to the City Council and management, in writing, any material weaknesses or significant deficiencies noted in the course of our audit. In addition, we will provide a written Management Letter that will include our suggestions for improvement in business practices and procedures.

As contemplated in the RFP, we will present the results of our audit to the City Council and administration by July 31st annually.

Audit Approach (continued)

J. Ongoing Support and Consultation

As with all clients, telephone conferences and meetings required to complete the audit and present the required reports within the agreed-upon timeframe are included in our base audit fee. Similarly, telephone consultation during the year that does not require significant research time by our staff is provided to clients at no additional cost.

Acceptance of Conditions

In submitting this *Technical Proposal* (and our separately-submitted *Dollar Cost Proposal*), McMahan and Associates affirms acceptance of all conditions and requirements, including the audit timeline, contained in Fruita's *Request for Proposal*. Our proposal is a firm and irrevocable offer for 60 days from issue date.

Anticipated Potential Audit Problems

We currently anticipate no potential audit problems, based on the information provided by the City. However, should matters arise in the course of our audit, we will promptly discuss the potential problems with the City's Finance Director and, as applicable, other appropriate City personnel, to determine the most cost-effective resolution, in accordance with professional auditing standards.

Dollar Cost Proposal

As required by the *Request for Proposal*, we have separately submitted our *Dollar Cost Proposal* with respect to the cost of our services to be provided to Fruita for 2023 and thereafter.

Please note that all of our fee quotations are inclusive of relevant telephone conferences or other such meetings as may be required to complete the audit and deliver the required reports within the agreed-upon period. In addition, our pricing includes ongoing basic support and consultation throughout the year. Telephone conferences and meetings during the year that do not require significant research time by our staff are provided at no additional cost, and we encourage this regular communication to stay abreast of current circumstances. Finally, as a mountain-area employer, McMahan and Associates will not charge Fruita for any travel or other incidental costs incurred in the engagements. Thus, our estimated fees are inclusive of all out-of-pocket costs, so that Fruita knows, in advance, the full cost of our audit services

Our fee estimates are based on anticipated cooperation from City personnel and the assumption that unexpected circumstances will not be encountered during the audit, including significant changes in the size and nature of the City's operations or the state of its accounting records and controls. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Similarly, if the fee is less than anticipated, we will bill you the lower amount. We want Fruita to feel that the value of services provided by our firm is commensurate with the fee charged.

City of Fruita, Colorado
Auditor Selection Committee
August 4, 2023

As long-time Colorado mountain residents, we pride ourselves on our commitment to client service and the assistance we have provided to our clients throughout the years. We are dedicated to providing many years of service to local organizations and entities and have developed long-term working relationships by helping make our clients financially stronger and more operationally efficient. We look forward to working with you in the coming years to help the City of Fruita achieve its goals.

Sincerely,

McMAHAN and ASSOCIATES, L.L.C.

A handwritten signature in black ink, appearing to read "MJ", with a horizontal line extending to the right.

Michael N. Jenkins, CA, CPA, CGMA
Partner

CITY of FRUITA, COLORADO

Professional Auditing Services Proposal: Technical Proposal

Appendix A – Peer Review System Review Report

Larry D. Graham, CPA
Richard P. Reinmann, CPA
Stephen A. Willardson, CPA
Stephanie L. Means, CPA
Jack E. Lenhart, CPA - Retired



Joni Krumes, CPA
John A. Smith, CPA
Scott Buckingham, CPA
Andrew J. Beyerle, CPA
Rick Mason, CPA - Retired
Larry G. Bean, CPA - Of Counsel

Report on the Firm's System of Quality Control

May 16, 2022

To the Members of McMahan & Associates, LLC
and the Peer Review Committee of the Colorado Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of McMahan & Associates, LLC (the firm) in effect for the year ended October 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including audits under the Single Audit Act and audits of employee benefit plans.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of McMahan & Associates, LLC in effect for the year ended October 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable

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CITY of FRUITA, COLORADO

Professional Auditing Services Proposal: Technical Proposal

Appendix A – Peer Review System Review Report

professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. McMahan & Associates, LLC has received a peer review rating of pass.

Lenhart, Mason & Associates, LLC

Lenhart, Mason & Associates, LLC

CITY of FRUITA, COLORADO

Professional Auditing Services Proposal: Technical Proposal

Appendix B – Firm License – Colorado State Board of Accountancy

Login Register

 **COLORADO**
Department of
Regulatory Agencies
Division of Professions and Occupations

HOME MY ACCOUNT ONLINE SERVICES ▾

Verify a Colorado Professional or Business License



Lookup Detail View

Licensee Information

This serves as primary source verification* of the license.

*Primary source verification: License information provided by the Colorado Division of Professions and Occupations, established by 24-34-102 C.R.S.

Name	Public Address
Mcmahan and Associates LLC	PO BOX 5850 AVON, CO 81620

Credential Information

License Number	License Method	License Type	License Status	Original Issue Date	Effective Date	Expiration Date
FRM.0006506		Public Accounting Firm	Active	10/28/1992	09/01/2023	08/31/2026

Supervision

Relationship	Supervisor/Supervisee	License	Start Date	Relationship Type
Supervised By	Daniel R. Cudahy	CPA.0015885	10/21/1999	Responsible Individual

Board/Program Actions

Discipline
There is no Discipline or Board Actions on file for this credential.



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

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MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

TRANSMITTAL LETTER

August 4, 2023

City of Fruita
325 East Aspen
Fruita, Colorado 81521
Attention: Auditor Selection Committee

Dear Committee members:

In response to the *Request for Proposal – Financial Audit Services* issued July 13, 2023 (the “RFP”) by the City of Fruita, Colorado (the “City”) with respect to the financial and compliance audits of the City for the fiscal year ending December 31, 2023 and thereafter, we are pleased to submit the attached *Dollar Cost Proposal* for your consideration.

The *Dollar Cost Proposal* is an integral part of our *Technical Proposal* provided in response to the RFP.

Please do not hesitate to contact me at your convenience if you have any questions.

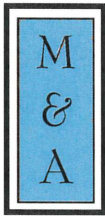
Sincerely,
Sincerely,
McMAHAN and ASSOCIATES, L.L.C.

Michael N. Jenkins, CA, CPA, CGMA
Partner

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481



McMAHAN AND ASSOCIATES, L.L.C.

P.O. Box 5850

AVON, CO 81620

970-845-8800

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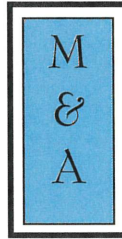
Professional Auditing Services Proposal:

DOLLAR COST PROPOSAL

Specially Prepared for:

CITY of FRUITA, COLORADO

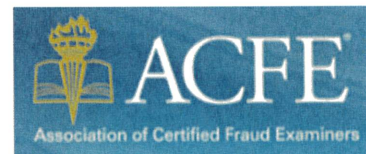




Our Mission Statement

**We are committed to achieving professional excellence
and will continually provide
ethical, progressive, and responsive service
to all our clients.**

Our commitment to professional excellence is evidenced by membership in the following professional bodies:



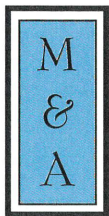
City of Fruita, Colorado

Professional Auditing Services Proposal

DOLLAR COST PROPOSAL

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McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

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FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

SOLICITATION RESPONSE FORM

A. TOTAL NOT-TO-EXCEED COST

ALL-INCLUSIVE, NOT-TO-EXCEED COST				
Audit Year	Standard Audit	Single Audit	Expenses	TOTAL
2023	\$29,500	\$5,500	\$0	\$35,000
2024	\$31,000	\$5,800	\$0	\$36,800
2025	\$32,600	\$6,100	\$0	\$38,700
2026	\$34,250	\$6,450	\$0	\$40,700

B. PROPOSER GUARANTEES

1. The undersigned Firm agrees to provide services and products in accordance with the terms and conditions contained in this *Request for Proposal* and as described in the Firm's *Proposal* attached hereto; as accepted by the City. This offer is firm and irrevocable for sixty (60) days after the time and date set for receipt of proposals.
2. Prices in the *Proposal* have not knowingly been disclosed with another provider and will not be prior to award.
3. Prices in this *Proposal* have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition.
4. No attempt has been made nor will be to induce any other person or Firm to submit a proposal for the purpose of restricting competition.
5. The individual signing this *Proposal* certifies it is a legal agent of the Firm, authorized to represent the Firm and is legally responsible for the offer with regard to supporting documentation and prices provided.

C. RECEIPT OF ADDENDA

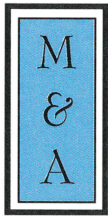
The undersigned Firm acknowledges receipt of Addenda to the Solicitation, Specifications, and other Contract Documents. It is the responsibility of the Firm to ensure all Addenda have been received and acknowledged.

Number of Addenda received: 1

Member: American Institute of Certified Public Accountants

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MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

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McMAHAN AND ASSOCIATES, L.L.C.

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SOLICITATION RESPONSE FORM

(Continued)

McMahan and Associates, L.L.C.

Company Name – (Typed or Printed)

Authorized Agent Signature

Physical: 245 Chapel Place, Suite 300

Mailing: P.O. Box 5850

Address of Firm

Avon, Colorado 81620

City, State and Zip Code

Michael Jenkins

Authorized Agent– (Typed or Printed)

(970) 845-8800

Phone Number

michael.jenkins@mcmahancpa.com

E-mail Address of Agent

August 4, 2023

Date

Member: American Institute of Certified Public Accountants

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