



**TOWN OF PALISADE**  
Request for Proposal  
Financial Statement Audit Services 2022

**I. GENERAL INFORMATION**

The Town of Palisade (also “the Town”) is requesting proposals from qualified auditors of certified public accountants to audit its financial statements for the fiscal year ending December 31, 2022, with the option on mutual agreement, of auditing the Town's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with applicable standards.

There is no expressed or implied obligation for the Town of Palisade to reimburse responding auditors for any expenses incurred in preparing proposals in response to this request.

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

The Town of Palisade reserves the right to retain all proposals submitted regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the responding auditor of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Palisade and the auditor selected.

To be considered, one (1) electronic copy (in pdf format) of a proposal must be received by Travis Boyd, Finance Director, at [finance@townofpalisade.org](mailto:finance@townofpalisade.org) by January 20, 2023. The Town of Palisade reserves the right to reject any or all proposals submitted.

Proposals submitted will be evaluated by the Palisade Board of Trustees, the Town Administrator, and the Finance Director.

It is anticipated that the selection of an auditor will be completed by January 31, 2023. Following notification of the selected auditor, it is expected the contract will be executed between both parties by February 14, 2023.



## **II. KEY DATES**

A tentative schedule of key dates for the project has been established as follows:

### **A. Proposal Calendar**

Distribute RFP December 1, 2022

Due date for proposals January 20, 2023  
Interviews (if necessary)

Notification of bid selection January 31, 2023

Contract executed February 14, 2023

### **B. Date Audit May Commence**

The Town will have all records ready for audit and all management personnel available to meet with the auditor's personnel on March 15, 2023. Preliminary field work may be performed prior to that date. At the auditor's discretion, work may be performed on-site at the Town of Palisade, remotely, or a combination. If remote work is performed, the auditor must provide a secure, encrypted File Transfer Protocol system for document exchange.

### **C. Detailed Audit Plan**

The auditor shall provide the Town a detailed audit plan by February 28, 2023, or earlier, at the auditor's convenience the first year, thereafter the audit plan shall be provided by January 31st of each year.

### **D. Fieldwork**

The auditor shall complete all fieldwork, including any recommended adjusting journal entries by May 16, 2023, thereafter the fieldwork shall be completed by the end of April for each subsequent year.

### **E. Date Final Report is Due**

The auditor shall prepare and have available for review a draft of its annual financial report (AFR), including transmittal letter, financial statements and management discussion and analysis, notes, and all required supplementary schedules and statistical data by May 30, 2023. It is anticipated that the auditor will present a final draft of the AFR and auditor's report to the Board of Trustees for review at the Board's second regular meeting in June 2023. The final signed report shall be delivered to the Town Administrator within five (5) working days thereafter. It is anticipated that this process will be completed, and the final report delivered one week prior to the second Tuesday in June 2023 and for subsequent years.



### **III. NATURE OF SERVICES REQUIRED**

#### **A. SCOPE OF WORK TO BE PERFORMED:**

The Town of Palisade desires the auditor to express an opinion on the fair presentation of its financial statements with regard to generally accepted accounting principles as codified by the Governmental Accounting Standards Board (GASB) and requirements of state statute.

It is contemplated that the selected auditor will express an unqualified opinion on the financial statements. If during the performance of the audit, it appears probable that an unqualified opinion cannot be issued, the selected auditor must promptly notify the Town Administrator and Finance Director in writing, stating all matters which preclude the issuance of an unqualified opinion.

The auditor shall be responsible to directly contact the Town Administrator and Finance Director should concerns be raised during the Town audit which warrant such contact.

The auditor will specify the terms for consultation time.

#### **B. AUDITING STANDARDS TO BE FOLLOWED:**

The audit shall be performed in accordance with generally accepted auditing standards as codified by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA). As applicable, generally accepted government auditing standards (yellow book) as promulgated by the Comptroller General of the United States Government Accountability Office (GAO) shall be used. The audit must consider and comply with all applicable state and federal regulations.

#### **C. REPORTING REQUIREMENTS:**

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

**1.** A report of examination of the financial statements stating the scope of the examination and that the audit was performed in accordance with generally accepted auditing standards. It must include an opinion as to whether the statements are fairly presented in accordance with generally accepted accounting principles in the United States.

**2.** A letter to management containing comments on compliance, recommendations for improvements and any other comments deemed pertinent by the auditors and recommendations affecting the financial statements, internal control, accounting, accounting systems, legality of actions, other instances of noncompliance with laws and regulations, and any other material matters. An agreed upon number of copies of the management letter will be provided to the Town, in addition to an electronic copy.

Within the required reports on internal controls and compliance, the auditor shall communicate any



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

- Material weaknesses
- Instances of noncompliance
- Irregularities and illegal acts (auditors shall be required to make an immediate, written report of all irregularities and illegal acts or implications of illegal acts of which they become aware to the Town Administrator and the Finance Director).

Non-reportable conditions by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls.

#### **D. REPORTING TO THE TOWN ADMINISTRATOR:**

Auditors shall assure themselves that the Town of Palisade's Town Administrator is informed by way of regularly scheduled meetings and/or written updates.

#### **E. WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS:**

All working papers and reports must be retained at the auditor's expense, according to the appropriate statutory retention requirements, unless the auditor is notified in writing by the Town of Palisade of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- Town of Palisade
- Auditors of entities of which the Town of Palisade is a sub-recipient of grant funds.

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

#### **F. DESCRIPTION OF THE GOVERNMENT**

##### **1. BACKGROUND:**

The Town of Palisade, Colorado, was incorporated April 4, 1904, and is a statutory town is defined in Colorado Law. Palisade is governed by an elected mayor and six elected board of trustees. The town provides the following services: administrative and financial services, street maintenance, parks & recreation, police, fire, emergency medical, building, water, and sanitary sewer, and garbage services for a population of about 2,692 residents. More information can be found on the



Town's official website [www.palisade.colorado.gov](http://www.palisade.colorado.gov)

## **2. FISCAL YEAR:**

The Town of Palisade's fiscal year begins on January 1 and ends on December 31.

## **3. BUDGETARY BASIS OF ACCOUNTING:**

The accounting policies of the Town of Palisade conform to accounting principles generally accepted in the United State of America as applicable to governments. As required by generally accepted accounting principles, these financial statements represent the Town of Palisade. The Palisade Rural Fire Protection District is included in the financial statements due to their complete reliance on the Town of Palisade Fire Department to deliver services to that district. No additional separate governmental units, agencies, or nonprofit corporations are included in the financial statements of the Town, since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

## **4. FUND STRUCTURE:**

The Town operated eight funds:

1. The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The Water Fund is a proprietary fund that accounts for the resources associated with collecting, treating, and distributing potable water to the Town.
3. The Utilities Fund is a proprietary fund accounts for resources associated with the collection and treatment of wastewater.
4. The Garbage Fund is a proprietary fund that accounts for the resources associated with the collection and disposal of residential and commercial trash.
5. The Tourism Fund is a governmental fund that accounts for the resources associated with the collection and use of lodging fees.
6. The Conservation Fund is a governmental fund that accounts for the resources received and used from the Colorado Lottery.
7. The Capital Projects Fund is a fund that is used as a construction in progress fund to measure and account for large capital project expenditures.
8. The Palisade Rural Fire Protection District is a distinct entity that is consolidated with the Town's financials statements because the Palisade Fire department provides all services to this district and the revenue from this district is transferred to the Town of Palisade.



## **5. COMPUTER SYSTEMS:**

The Town operates in a Windows server environment. The Town uses a contractor to provide comprehensive IT services. The Town uses Caselle for its accounting software across all funds except for the Palisade Rural Fire Protection District.

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

### **A. ADMINISTRATIVE AND CLERICAL ASSISTANCE:**

The Town Administrator and Finance Director will be available during the audit to assist the auditor in providing information, documentation, and explanations.

### **B. WORK AREA, COMPUTER, TELEPHONES, PHOTOCOPYING AND FAX MACHINES:**

The Town of Palisade will provide the auditor with reasonable workspace. The auditor will be provided inquiry access to the financial management software, internet access, photocopying and scanning facilities and fax machine.

### **C. REPORT PREPARATION:**

The Finance Director will prepare or provide all statements, trail balances, general ledgers, subsidiary ledgers, detailed schedules and backup documentation deemed necessary by the auditor. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Finance Director. A report, including the auditor's report shall be delivered to the Town Administrator by May 30th of each audit year.

The Town Administrator and Finance Director will complete their review of the draft report as expeditiously as possible. During that period, the auditor should be available for any meetings and/or phone conversations that may be necessary to discuss the draft audit reports. Once all issues for discussion are resolved, the final signed report will be completed and the final report presented to the Town Board of Trustees for their approval the second Tuesday in June of the audit year. The auditor will provide twelve (12) hard copies of the final report and one (1) electronic report (preferably in PDF) to the Town of Palisade one week prior to its presentation to the Town Board Meeting.



#### **IV. PROPOSAL REQUIREMENTS**

##### **A. GENERAL REQUIREMENTS**

1. Submissions should be divided into two (2) distinct parts; 1) a Technical Section and 2) a Cost Section:

2. Submissions can only be submitted electronically with the following:

Email Address: [finance@townofpalisade.org](mailto:finance@townofpalisade.org)

Subject: RFP Submission Auditor 2022

##### **B. TECHNICAL PROPOSAL**

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the auditor seeking to undertake an independent audit of the Town of Palisade in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation.

The Technical Proposal should demonstrate the qualifications of the auditor that will meet the request for proposals requirements. The Technical Proposal should address all the points outlined in the request for proposal (excluding any cost information which should only be included in the cost proposal). The Technical Proposal should be prepared to satisfy the requirement of the request for proposal. While additional data may be presented, the following items must be included, as they represent the criteria against which the proposal will be evaluated.

###### **1. Independence**

The auditor should provide an affirmative statement that it is independent of the Town of Palisade as defined by applicable standards. The auditor should provide an affirmative statement that it is independent of all of the entities included in this proposal. In addition, the auditor shall give the Town of Palisade written notice of any professional relationships entered into during their period of engagement.

###### **2. License to Practice in Colorado**

An affirmative statement should be included that the auditor and all assigned key professional staff are properly licensed to practice in Colorado.

###### **3. Firm Qualifications and Experience**

The auditor should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and the nature of professional staff to be employed on the engagement on a



fulltime basis.

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

The firm is required to submit a copy of the report on its most recent peer review, with a statement whether that peer review included a review of specific government engagements.

The firm shall provide information on the results of any federal or state desk reviews or field review of its audits during the past three (3) years.

In addition, the 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. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement.

Audit personnel may be changed at the discretion of the firm, if replacements have substantially the same or better qualifications or experience than the audit personnel they are replacing.

#### 5. Similar engagements with other Government Entities

List the most significant engagements performed in the last five (5) years that are similar to the engagement described in this request for proposal, based on the office that will be directly responsible for this project. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engaging partners, total hours, and the name and telephone number of the principal client contact.

#### 6. Specific Audit Approach

The proposal shall include a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as the Town of Palisade's budget and related materials, organizational chart, manual and programs, and financial and other management information systems.

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

- a. Proposed segmentation of the engagement.





- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. Approach to be taken to gain and document an understanding of the Town of Palisade's operations as they relate to financial reporting.
- d. Approach to be taken to gain and document an understanding of the Town of Palisade's internal control structure.
- e. Approach to be taken to gain and document an understanding of the Town of Palisade's audit risk.
- f. Approach to be taken in determining laws and regulation that will be subject to audit test work.
- g. Approach to be taken to track, monitor and communicate audit progress with Town staff and audit personnel.

#### 7. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the auditor's approach to resolving these problems and any special assistance that will be requested for the Town of Palisade.

### **C. Cost Proposal**

#### 1. Summary of Professional Fees and Expenses

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

The Town of Palisade will not be responsible for expenses incurred in preparing and submitting the technical proposal or cost proposal. Such costs should not be included in the proposal.

The first page of the cost proposal should include the following information:

- a. Name of audit firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the Town of Palisade.
- c. A total all-inclusive maximum price for each engagement for the audit years 2022, 2023, 2024, 2025, and 2026.



## 2. Rates by staff member

Include the rate, anticipated hours for each partner, specialist, supervisory and staff level expected to perform the necessary services. The second page of the proposal should include a schedule of professional fees and expenses.

## 3. Manner of payment

Payment will be made in full upon completion of the audit.



## **V. EVALUATION PROCEDURES**

### **A. AUDIT COMMITTEE AND KEY STAFF**

Proposals will be evaluated by an audit committee comprised of two (2) representatives from the Board of Trustees, the Town Administrator, and the Finance Director.

### **B. REVIEW OF PROPOSALS**

The Audit Committee will use a point formula during the review process to score proposals. Each member of the Audit Committee will first score each technical proposal by each criterion described below under EVALUATION CRITERIA. The full Audit Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

The maximum score for price will be assigned to the firm offering the lowest all-inclusive maximum price. Appropriate fractional scores will be assigned to other firms.

The Town of Palisade reserves the right to retain all proposals submitted and use any idea(s) in a proposal regardless of whether that proposal is selected.

### **C. EVALUATION CRITERIA**

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposal evaluated and scored for both technical qualifications and price. If requirements are not met, the proposal will not be further considered.

#### **1. Mandatory elements**

- a. The audit firm is independent and licensed to practice in Colorado.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the Town of Palisade.

The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.

- c. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

#### **2. Technical Quality: (Maximum Points - 60)**

##### **a. Expertise and Experience**

- 1) The firm's past experience and performance on comparable government



engagements.

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

b. Audit Approach

1) Adequacy of proposed staffing plan for various segments of the engagement.

2) Adequacy of understanding Town's operations.

3) Adequacy of understanding Town's internal control environment.

4) Adequacy of understanding Town's audit risk.

5) Coordinating and communicating needs and progress with Town and audit staff.

6) Identifying and mitigating anticipated audit problems.

3. Price (Maximum points - 40)

PRICE WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FRIM

**D. ORAL PRESENTATIONS**

During the evaluation process, the Audit Committee may, at its discretion, request the eligible firms to make an oral presentation. Such presentation will provide firms with an opportunity to answer any questions the Audit Committee may have on a firm's proposal. Not all audit firms may be asked to make such oral presentations. With agreement by the Town and auditor said presentation may be held by phone and/or other electronic means.

**E. FINAL SELECTION**

The Town of Palisade will select an auditor based upon the recommendation of the Audit Committee.

It is anticipated that an auditor will be selected on or about January 31, 2023. Following notification of the audit firm selected, it is expected that a contract will be executed between both parties by February 14, 2023.

**F. RIGHT TO REJECT PROPOSALS**

Submission of a proposal indicates acceptance by the auditor of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Palisade and the audit firm selected. The Town of Palisade reserves the right to reject any or all proposals.



## **VI. TERMINATION OF CONTRACT**

The Town may, upon thirty (30) days written notice to the successful auditor, terminate the contract if the auditor has been found to have failed to perform in a manner satisfactory to the Town's specifications, including delivery as specified. The date of termination shall be stated in the notice. The Town shall be the sole judge of non-performance. The Town may cancel the contract upon thirty (30) days written notice for reasons other than cause. This may include, but is not limited to, the Town's inability to continue with the contract due to non-appropriation and/or reduction of funding. The Town will pay the auditor for work successfully completed prior to the effective date of termination.

## **VII. WARRANTIES**

The successful Bidder shall indemnify and save harmless the Town against any and all damages to property or injuries to or death to any person or persons, including property and employees or agents of the Town, and shall defend, indemnify and save harmless the Town from any and all claims, demands, suits, actions, or proceedings of any kind, or nature, including worker's compensation claims, of or by any whomsoever, in any way resulting from or arising out of the operation in connection herewith, including operations of subcontractors and acts or omissions of employees or agents of the successful Bidder or its sub-contractors. The successful Bidder shall procure and maintain, at their own cost and expense, any additional kinds and amounts of insurance that, in their own judgment, may be necessary for the Bidder's proper protection in the prosecution of the work.

The successful Bidder shall be required to have property, liability, and worker's compensation insurance with minimum limits of \$1,000,000.00 and to provide the Town with copies of the certificate of insurance prior to the execution of the final contract.

The successful Bidder shall be an Equal Opportunity Employer and will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin and will comply with the Americans with Disabilities Act.



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