



City of Cloquet / Cloquet Area Fire District
Request for Proposal for
Professional Auditing Services
For Fiscal Years Ending
2024, 2025, 2026

September, 2024

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I. INTRODUCTION

A. General Information

The City of Cloquet and Cloquet Area Fire District is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2024, 2025, and 2026 with the option of auditing its financial statements for the subsequent two years. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the provisions of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65.

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

To be considered, the proposal must be received by Tim Peterson, City Administrator, City of Cloquet, 101 14th Street, Cloquet, MN 55720 by 12:00 P.M. on October 4, 2024. The City of Cloquet reserves the right to reject any or all proposals submitted.

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

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

It is anticipated that the selection of a firm will be completed by November 20, 2024. Following the notification of the selected firm, it is expected a Letter of Engagement will be executed.

B. Term of Engagement

An initial three year contract is contemplated, subject to an annual review of price and performance, along with an option to renew for an additional two year period. The two year renewal option will be at the sole discretion of the City, with scope of services and pricing to be negotiated.

C. Subcontracting

Following the award of the audit contract, no subcontracting will be allowed without the express prior written consent of the City of Cloquet.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Cloquet and Cloquet Area Fire District is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2024, 2025, and 2026. This audit is to be performed in accordance with the provisions contained in this request for proposal.

B. Scope of Work to be Performed

The City of Cloquet and Cloquet Area Fire District desires the auditor to express an opinion on the fair presentation of their basic financial statements in conformity with generally accepted accounting principles.

An annual review of the Annual Comprehensive Financial Report shall be done to determine necessary steps so that the City and Fire District can continue to receive a Certificate of Achievement for Excellence in Financial Reporting during this engagement.

C. Auditing Standards to Be Followed

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

- The auditing standards generally accepted in as set forth by the American Institute of Certified Public Accountants.

- The standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act of 1984 (as amended in 1996).
- The provisions of U.S. Office of Management and Budget (OMB) Circular A-133.
- The provisions of the Minnesota Legal Compliance Audit Guide for Local Government

D. Reports to be Issued

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

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements.
2. A report on the compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on compliance with applicable laws and regulations.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

The City Administrator and the City Council.

E. Reporting to the City Council

Auditors shall assure themselves that the City Council (if applicable) is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements

6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

F. Special Considerations

1. The City of Cloquet and Cloquet Area Fire District will send its annual comprehensive financial reports to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will not be required to provide special assistance to the City of Cloquet to meet the requirements of that program.

G. 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 Cloquet of the need to extend the retention period. The auditor will provide an electronic or paper copy of all work papers to the City if requested. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- City of Cloquet
- MN State Auditor
- U.S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by the City of Cloquet as part of an audit quality review process
- Auditors of entities of which the City of Cloquet is a sub-recipient of grant funds

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

III. DESCRIPTION OF THE GOVERNMENT

A. Contact Person

The auditor's principal contact with the City will be Katie Bloom, Finance Director, or a designated representative, who will coordinate the assistance to be provided by the City of Cloquet to the auditor.

B. Background Information

- City of Cloquet
 - The City of Cloquet is located in Carlton County with a population of 12,603 (2022 estimate).
 - The City of Cloquet's fiscal year begins on January 1 and ends on December 31.
 - The City is a statutory City with a Council-City Administrator form of government
 - The City provides the usual services to its citizens including police services, street construction and maintenance, parks, and land use planning including code enforcement.
 - The City has a 2024 budgeted salaries of \$7.7 million covering approximately 70 full-time employees and several part-time and seasonal staff.
 - The City has a 2024 combined expenditure/expense budget of \$24 million.
 - The accounting functions of the City are centralized.
 - More detailed information on the government and its finances can be found in the 2023 ACFR, which is available on the City's website <https://www.cloquetmn.gov/departments/finance> or by contacting Katie Bloom, Finance Director at kbloom@cloquetmn.gov.
- Cloquet Area Fire District
 - The Cloquet Area Fire District serves residents in the City of Cloquet, Perch Lake Township, City of Scanlon, Thomson Township, Fond du Lac Band of Lake Superior Chippewa and Brevator Township. In total, CAFD covers 275 square miles in Northern Carlton and Southern St. Louis Counties.
 - CAFD's fiscal year begins on January 1 and ends on December 31.
 - CAFD provides ambulance and fire and other public safety services to its citizens.

- CAFD employs 28 full-time EMT/Firefighters, 25 Paid-On-Call staff, and 5 full-time administrative staff.
- CAFD has a combined expenditure/expense budget of \$6 million.
- CAFD contracts with the City of Cloquet as their fiscal agent.
- More detailed information on CAFD and its finances can be found in the 2023 Audited Financial Statements, which is available on CAFD's website <https://www.cloquetareafiredistrict.com/district-information/> or by contacting Katie Bloom, City of Cloquet Finance Director at <mailto:kbloom@cloquetmn.gov>.

C. Fund Structure

Information on the City's and CAFD's fund types can be found in the 2023 ACFR available on the City's websites linked above.

D. Budgetary Basis of Accounting

The City and CAFD prepares its budgets on a basis consistent with generally accepted accounting principles.

E. Federal and State Financial Assistance

During the first fiscal year (2024) to be audited, the City nor CAFD expect to receive federal funds in excess of the limit required for a single audit.

F. Pension Plans

All full time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The association administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund which are cost sharing, multiple employer retirement plans.

G. Magnitude of Finance Operations

The Administration and Finance Department is headed by Tim Peterson, City Administrator. The Finance Director prepares the audit workpapers. The Administration and Finance department consists of 6 employees. The principal functions performed, and the number of employees assigned to each area, are as follows:

<u>Function/Position</u>	<u>Number of Employees</u>
City Administrator	1
Finance Director	1
Payroll/Deputy City Clerk	1
Administrative Assistant/Accounting Clerk	1
Utility Billing Clerk/Receptionist	1
Part-time Clerk	1

IV. TIME REQUIREMENTS

A. Schedule for 2024 Fiscal Year Audit

The City will have all records ready for audit and all management personnel available to meet with the firm's personnel at a date that is mutually convenient. Each of the following should be completed by the auditor no later than the dates indicated.

1. Interim Work

The auditor shall complete interim work at a time agreed upon by the City and auditor, preferably during January, 2025.

2. Fieldwork

The auditor may begin fieldwork after April 1, 2025. Starting date to be agreed upon by the City Administrator and/or Finance Director and the auditor.

3. Date Final Report is Due

The auditor shall finish preparing draft financial statements, notes and all required supplementary schedules by June 15, 2025.

4. Audit Presentation

Audit presentation by the auditor to the City Council is required by the last Council meeting in July 2025.

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

A. Finance Department and Clerical Assistance

The finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the City upon direction of the auditor.

Limited clerical support will be made available to the auditor for the location of documents and pulling requested documentation.

B. Work Area, Telephones, Photocopying and FAX Machines

The City will provide the auditor with reasonable work space, desks, and chairs. The auditor will also be provided with access to telephone lines, photocopying facilities, FAX machines, internet connection and other standard operational technology.

C. Report Preparation (ACFR)

The auditor will prepare drafts of the combining and individual fund statements with the City and CAFD reviewing the ACFR. Report preparation, editing, and printing of the ACFRs shall be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

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

Tim Peterson, City Administrator or
Katie Bloom, Finance Director
City of Cloquet
101 14th Street
Cloquet, MN 55720
218-879-3347

2. Submission of Proposals

The following material is required to be received by October 4, 2024 for a proposing firm to be considered:

i. Title Page

Title page showing the request for proposals subject; the firm's name;

the name, address, and telephone number of the contact person; and the date of the proposal.

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 60 days.

iv. General Information

a. Firm qualifications and experience

b. An affirmative statement that the firm is independent from the City of Cloquet

c. License to practice of MN

d. Partner, supervisor and staff qualifications and experience

e. Prior engagements with the City of Cloquet

f. Similar engagements with other governmental entities – references with phone numbers

g. Specific audit approach

v. The proposal shall include a dollar cost bid including total all-inclusive maximum price for year 2024, 2025, and 2026. Estimate of any increases contemplated for the renewal of the agreement for 2027 and 2028. (Attachment A)

Tim Peterson, City Administrator
City of Cloquet
101 14th Street
Cloquet, MN 55720

VII. EVALUATION PROCEDURES

A. Audit Services Evaluation Committee

The Finance Director and City Administrator shall evaluate proposals submitted and select finalist(s). Up to two representatives from the City Council may be asked to participate in the Audit Services Evaluation Committee. The Audit Services Evaluation Committee will review and discuss proposals from each of the finalist(s)

and may request an interview with each firm that will be considered.

The City of Cloquet reverse the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

B. Evaluation Criteria

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

- The audit firm is independent and licenses to practice in Minnesota.
- The firm has no conflict of interest with regard to any other work performed by the firm for the City.
- The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
- The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
- Expertise and experience
 - The firm's past experience and performance on comparable government engagements.
 - The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
 - Quality and accuracy in the preparation and review of the City's ACFR.
- Audit approach
 - Adequacy of a proposed staffing plan for various segments of the engagement.
 - Adequacy of sampling techniques
 - Adequacy of analytical procedures

- Price
 - Cost will not be the sole factor in the selection of an audit firm.

C. Oral Presentations

During the evaluation process the Audit Services Evaluation committee may, at its discretion, request all finalists to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the City may have on a firm's proposal.

D. Final Selection

The City Administrator and Finance Director will recommend to the City Council the appointment of a CPA firm judged to be most responsive and responsible proposer for the auditing services requested. The final decision with respect to the appointment will be made by the City Council.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the engagement letter between the City and the firm selected. The City of Cloquet reserves the right without prejudice to reject any or all proposals.

ATTACHMENT A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

All-inclusive Audit Costs

Year	City All-inclusive cost	CAFD All-inclusive cost
2024		
2025		
2026		
2027		
2028		

Hourly rates and fees supported by all-inclusive audit costs for the 2024 audit.

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners				
Managers				
Supervisory Staff				
Staff				
Other: (specify)				
Total				