

**SCOPE OF WORK
EXHIBIT A**

1. INTRODUCTION

1.1 The City of San Luis (City) is soliciting proposals from certified public accounting firms currently licensed in the State of Arizona to audit the City's annual financial statements. The audit is to be performed in accordance with:

1. Generally accepted auditing standards set forth by the American Institute of Certified Public Accountants (AICPA), and the standards for financial audits set forth by the U. S. Government Accountability Office's (GAO) Government Auditing Standards (GAS).
 2. The provisions of the Single Audit Act of 1984 and subsequent amendments, and the provisions of U.S. Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Code of Federal Regulations (CFR) Title 2, Part 200, Subpart F - Audit Requirements.
 3. United States Housing and Urban Development (HUD) Uniform Financial Reporting Standards (UFRS) Rule implementing requirements of United States 24 CFR part 5, subpart H.
 4. State of Arizona Uniform Expenditure Reporting System (UERS) requirements mandated by A.R.S. §41-1279.07, with guidelines set forth by the Arizona Auditor General.
 5. State of Arizona Highway User Revenue Fund (HURF) Expenditure requirements pursuant to A.R.S. §9-481.
 6. State of Arizona Department of Environmental Quality Local Government Financial Test, 40CFR 258.74.
 7. Minimum Accounting Standards for Arizona Courts (Part III, Guide for External Review by Auditors) every three years beginning with fiscal year ending June 30, 2018.
- 1.2 This initial contract shall be valid for a period of five (5) years, with options to extend for two (2) subsequent one-year terms as outlined in the "TERM" section of the General Terms and Conditions.
- 1.3 The proposer is encouraged to read the Solicitation documents very carefully, as the City shall not be responsible for errors and omissions on the part of the proposer. The proposer is also encouraged to carefully review their final submittal documents, as the Proposal Evaluation Committee is not required to make interpretations or correct detected errors in calculations.
- 1.4 The proposer is responsible for being familiar with the nature and extent of the solicitation and contract documents, work to be performed, all local conditions, and federal, state and local laws, ordinances, rules and regulations that may, in any manner, affect cost, progress or performance of the work.
- 1.5 The proposer should make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises.

SCOPE OF WORK
EXHIBIT A

2. DESCRIPTION OF THE CITY

2.1 Background

The City of San Luis (the “City”) was incorporated in 1979 under the provision of the Arizona Constitution and is located on the Arizona-Sonora Mexico border. The City is governed by an elected Mayor and council. In 2010, United States Census recorded the City's population at 25,500.

City Structure

The City of San Luis currently occupies 30 squares miles and serves a population of approximately 26,000. The City of San Luis is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members, all elected on a non-partisan basis. The Mayor is elected at-large for a four-year term. Council members are elected, for four-year terms, with four members elected every two years. The City Council is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City is required by State Statutes to designate an independent auditor to audit the City's annual financial statements in accordance with generally accepted government auditing standards.

The City has approximately 219 full-time equivalent employees. City departments provide a full range of services, including police and fire protection, public works (water, wastewater, sanitation and streets/infrastructure) community services (parks and recreation, arts and culture), development services (planning and code enforcement), municipal court, and administrative services.

The City's fiscal year begins on July 1 and ends on June 30. More detailed information on the City and its finances, including the most recent Comprehensive Annual Financial Report (CAFR) and Budget documents can be found on the City's website at <http://www.cityofsanluis.org/>

2.2 Financial Operations

The City Finance Director is currently appointed the City's Manager. The Finance Department consists of the following functions, along with the approximate number of full-time equivalent positions assigned to each.

Function	Full-Time Equivalent
Finance (Accounting, Budget, Payroll, Accounts Payable, Grants Management, Purchasing)	8
Risk Management	1

**SCOPE OF WORK
EXHIBIT A**

2.3 Fund Structure

The City's current fund structure is summarized below, but may change depending on the needs of the City:

Fund Type	Number of Funds	FY 2015	Number with Legally Adopted Annual Budgets
		Number of Major Funds	
General Fund	1	1	1
Special Revenue Funds	4	0	3
Debt Service Funds	2	2	2
Capital Project Funds	2	0	2
Enterprise Funds	5	5	5
Internal Service Funds	1	0	1

2.4 Federal Financial Assistance

Please refer to our Single Audit Report provided for the list of federal financial assistance that the City received for the year ended June 30, 2015 (TPB).

2.5 Pension Plans

The City participates in the following pension plans:

Plan	Multiple Employer	
	Cost Sharing	Agent
Arizona State Retirement System	X	
Public Safety Personnel Retirement System (Police and Fire)		X
Elected Officials' Retirement Plan	X	

For more information regarding the above pension plans, please refer to the Retirement and Pension Plans Note 14 pages 42-56 in the CAFR for the fiscal year ended June 30, 2015.

2.6 Component Units

2.6.1 For financial reporting purposes, the City is defined in conformance with the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Using these criteria, the following component units are included in the City's financial statements.

- *The San Luis Municipal Property Corporation (SLMPC)* is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. It has a five-member Board of Directors appointed by City Council. The Corporation was created to acquire, construct reconstruct or to aid in the development or improvement of buildings and other real and personal property suitable for leasing or sale to the City. For the audit period ended June 30, 2015, there was no activity.

SCOPE OF WORK
EXHIBIT A

- *The San Luis Facility Development Corporation (SLFDC)* was incorporated in 2005 exclusively for the purpose of financing, owning, and/or operating one or more public projects that affect economic development in the City of San Luis, Arizona or San Luis County and to provide facilities, equipment, and other physical plant and related support to the project. It is governed by a Board of five Directors of which two are members of City Council. The Corporation was used in April 2014 and July 2014 to refinance two bond issues that were originally used to build and extend the detention center respectively. The City General Fund receives certain revenues in form of a bed tax from the operations. The activity is reported in the City's Detention Center Fund.
- *The Industrial Development Authority of the City of San Luis (IDA)* was incorporated in 2000 by the City to acquire, own, construct, lease, sell, and dispose of all kinds of properties on behalf of the City to, amongst other things, develop trade, encourage production, and assure job opportunities in the City of San Luis. The IDA was used to acquire, renovate and furnish the facility for leasing to an unrelated company that operates a call center to provide employment opportunities to local residents. In 2009, the debt was retired by a GADA Loan to the City and the City took over the assets, liabilities, and all activities of the then call center facility which is now reported as an enterprise fund. For the audit period ended June 30, 2015, there was no activity reported for the IDA.

2.7 Joint Ventures

The City participates under a membership provision with two other entities in a jointly governed organization, the Greater San Luis Port Authority, Inc. (GYPA) which is directed by a seven person board. The GYPA was established in September 8, 2000, as a nonprofit corporation for the purpose of promoting and developing the new port district through cooperative regional effort of government entities (members), within the Yuma County region and to ensure the economic wellness of the San Luis area. Members are required to pay a fee of \$50,000 per year for operational expenses of the corporation. The City carries in its budget an annual appropriation of \$50,000 to retain its membership. The City does not retain an on-going financial interest or an on-going financial responsibility in the GYPA. Complete financial statements of the GYPA may be obtained from the GYPA's office at P.O. Box 4601, Yuma, AZ 85366.

2.8 Computer Systems

Following are the applications most significant to the City's annual financial statements:

Application	Software
General Ledger	NewWorld
Accounts Payable	NewWorld
Budget	NewWorld
Fixed Assets	Excel
Miscellaneous Receivables	NewWorld
Purchasing	NewWorld
Payroll	NewWorld
Work Orders/Fleet	RTA Fleet
Utility Billing	NewWorld
Permits	NewWorld
Licensing	NewWorld
Court Fines	AzTec
Cash Receipting	NewWorld
Excel, Word, and other applications	Microsoft Office, Adobe

These applications primarily reside in a Microsoft SQL Server environment.

SCOPE OF WORK
EXHIBIT A

2.9 City Audit Function

The City audit function is conducted by the Finance Department. The principal contact with the City will be Finance Director or a designated representative, who will coordinate the assistance to be provided by the City to the external audit team.

3. CONTRACT REQUIREMENTS

- 3.1 The City prepares a Comprehensive Annual Financial Report (CAFR). The CPA firm (auditor) is to express an opinion on the fair presentation of the basic financial statements, including the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in conformity with accounting principles generally accepted in the United States of America.
- 3.2 The auditor is required to express an "in relation to" opinion on the fair presentation of the combining and individual fund financial statements and schedules, including the internal service funds, and other supplementary information in conformity with accounting principles generally accepted in the United States of America.
- 3.3 The CAFR includes the management discussion and analysis and certain schedules as supplementary information required by accounting principles generally accepted in the United States of America. In accordance with generally accepted auditing standards, the auditor is to apply certain limited procedures during the audit of the basic financial statements, but is not required to express an opinion on the required supplementary information.
- 3.4 The introductory and statistical sections are not a required part of the basic financial statements. The auditor is not required to express an opinion on the introductory or statistical sections of the CAFR, but should review the information for consistency with the audited financial statements
- 3.5 The auditor is required to provide an "in relation to" opinion on the schedule of expenditures of federal awards based on auditing procedures applied during the audit of the basic financial statements and certain additional procedures in accordance with applicable auditing standards.
- 3.6 The auditor is required to express an opinion on the City's Annual Expenditure Limitation Report (AELR) prescribed by the UERS as required by Arizona Revised Statutes §41-1279.07. This examination is conducted in accordance with AICPA attestation standards.
- 3.7 The auditor is required to express an opinion on the City's compliance with the authorized transportation uses of Highway User Revenue Fund (HURF) and other dedicated transportation revenue requirements pursuant to Arizona Revised Statutes §9-481. This examination is performed in accordance with the AICPA's attestation standards.

4. REPORTS TO BE ISSUED

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

- A. An independent auditor's report on the fair presentation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America.
- B. An independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with Government Auditing Standards.
- C. A complete Single Audit Report including an independent auditor's report on compliance with requirements that could have a direct and material effect on each major federal program, on

**SCOPE OF WORK
EXHIBIT A**

internal control over compliance and on the schedule of expenditures of federal awards in accordance with OMB 2 CFR Subpart F – Audit Requirements

- D. Auditor's letter of recommendations to management.
- E. An independent auditor's report on the Annual Expenditure Limitation Report (AELR) prepared in compliance with A.R.S. §41-1279.07.
- F. An independent auditor's report on the compliance for the Minimum Accounting Standards (MAS) of the San Luis Magistrate Court to satisfy Arizona Supreme Court, Administrative Office of the Courts (AOC) requirements for FY 2018 and five (3) years thereafter.

5. ADDITIONAL REPORTING CONSIDERATIONS

- 5.1 In the required reports on internal controls, the auditor shall communicate the significant deficiencies and material weaknesses, as defined in generally accepted auditing standards, including those remediated during the audit. Other deficiencies in internal control that are detected by the auditor shall be reported in the separate letter of recommendations to management. This letter shall be provided to Finance Director and referred to in the reports on internal controls.
- 5.2 The reports on compliance shall include all instances of noncompliance.
- 5.3 The auditor is required to make an immediate, written report to the Finance Director of any irregularities and illegal acts or indications of irregularities or illegal acts of which they become aware.
- 5.4 Reporting to Council - The auditor will ensure that the City's Audit Committee is informed of each of the following:
 - A The auditor's responsibility under generally accepted auditing standards and Government Auditing Standards
 - B. The planned scope and timing of the audit
 - C. Qualitative aspects of the City's significant accounting practices
 - D. Management judgments and accounting estimates
 - E. Significant difficulties encountered in performing the audit
 - F. Significant audit adjustments and uncorrected misstatements
 - G. Disagreements with management
 - H. Management's consultations with other accountants
 - I. Significant issues discussed with management, including those in connection with the auditor's retention

The auditor will be required to present its communications during the Audit Committee's meetings near the completion of the audit. The auditor is required to be present and make a presentation at a City Council meeting after the audit concludes. This service shall be included in the contract price.

6. SPECIAL CONSIDERATIONS

- 6.1 The Schedule of Expenditures of Federal Awards (SEFA) and related auditor's report, as well as the reports on internal controls and compliance, AELR, HURF, AOC (court) are to be issued separately rather than included in the CAFR.

7. WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

SCOPE OF WORK
EXHIBIT A

- 7.1 All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years unless the firm is notified in writing by the City Auditor of the need to extend the retention period. The auditor will make working papers available upon request to the following parties or their designees:
- The City
 - U.S. Government Accountability Office
 - The Arizona Auditor General
 - Auditors of entities of which the City is a sub-recipient of grant funds
 - Officials designated by the federal or the state governments of which the City is a subrecipient of grant funds or as part of an audit quality review process.
- 7.2 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.

8. TIME REQUIREMENTS

8.1 WORK AND CONFERENCE SCHEDULE FOR THE FISCAL YEAR AUDIT

The following are key dates relating to the City's preparation of the CAFR and the related audit and may be subject to change by mutually negotiated approval during the Contract period.

May

Entrance Conference - This auditor will meet with the City Finance representatives to obtain a preliminary review of the City's operations and to discuss the interim work to be performed. This meeting will also be used to identify key personnel and make arrangements for the auditor's work space and other needs. At this meeting, the auditor will provide a list of the assigned audit staff and their qualifications and the audit schedule with planned dates.

Communication with Governance - The auditor will be available to meet with the City's Audit Committee to discuss the audit scope and timing and other applicable matters. Any documents to be presented to the Audit Committee will be provided to the City Finance Director at least ten (10) days in advance of the scheduled meeting for inclusion in the Audit Committee's meeting materials.

Interim Work - The auditor may begin interim work during May. Upon completion, the auditor must provide a progress meeting with City Finance Director and Finance representatives to summarize the results of the interim work and identify the key internal controls or other matters to be tested.

July

Detailed Audit Plan - The auditor shall provide the City Finance Director with a detailed audit plan and a list of all year-end schedules and audit confirmation letters to be prepared by the City.

October

The City will provide a preliminary draft of the financial trial balances. The auditor will complete fieldwork and provide all recommendations, revisions, and suggestions for improvements to the annual financial reports. The City Finance Director or designee will complete final financial statements.

City's CAFR- The City Finance Section will provide a draft of the government-wide financial statements, individual fund and combining fund financial statements, notes, all required

**SCOPE OF WORK
EXHIBIT A**

supplementary schedules, statistical schedules, Management Discussion & Analysis, and the transmittal letter.

November

Exit Conference - The auditor will meet with City Finance Director and City representatives to summarize the results of the fieldwork and to review significant findings.

Final Reports

The auditor will provide all recommendations, revisions and suggestions for improvements to the CAFR. The auditor will provide drafts of all independent auditor reports and the letter of recommendations as described in "Reports, Schedules, and Statements to be Issued" section (excluding the AELR) to the City Finance Director for the City's review.

The City Finance Section will complete its revisions to the financial statements and reports. During the revision period, the auditor should be available to discuss and resolve all issues relating to the financial statements and audit reports.

By late November, the auditor will complete its final review and deliver to the City the signed auditor's opinion letters for the CAFR, Single Audit Report, internal control, compliance, component units, AOC.

Other Reports

The auditor will provide a draft of the Data Collection Form, *SF-SAC for Reporting on Audits of States, Local Governments and Non-Profit Organizations*, for the City's Single Audit requirements to the City Finance Section. The City Finance Section will complete its review of the draft in two days. The auditor will submit the Data Collection Form in accordance with OMS Circular A-133 requirements.

Communication with Governance - The auditor will present the audit results, including any significant findings and recommendations, at an Audit Committee meeting. All completed reports will be provided to the City Finance Director at least ten (10) days in advance of the scheduled meeting for inclusion in the Audit Committee's meeting materials.

December

AELR - The Auditor shall prepare the Annual Expenditure Limitation Report (AELR) draft to Finance Director for review. The auditor will provide a draft independent auditor's report for the AELR and submit to OAG on City's behalf.

January

Presentation to Audit Committee.

8.2 DATE FINAL REPORTS ARE DUE

The auditor shall deliver the final signed reports, and the letter of recommendations to management, to the City Finance Director. The following timeline is subject to mutually agreed-upon change.

Report Description	Date	Number of Requested Copies
Auditor's report on the City's CAFR	November	1 and PDF

**SCOPE OF WORK
EXHIBIT A**

Auditor's reports for Single Audit requirements, including reports on internal control over financial reporting and compliance	November	1 and PDF
Auditor's letter of recommendations to management, if any	November	1 and PDF
Auditor's reports on compliance	November	1 and PDF
Submit Single Audit Data Collection Form to the Federal Clearinghouse in coordination with Finance Director	December	N/A
Auditor's report on the AELR	January/February	3 and PDF

All reports will be provided to the City Finance Director in hardcopy and electronic form (PDF) identified above.

9 ASSISTANCE TO BE PROVIDED TO THE AUDITOR

9.1 City Finance Section

The City staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations.

The City Finance Section will prepare the trial balances, all required statements and schedules, and confirmations for the auditor in accordance with the time requirements in Section 8.

9.2 Information Systems

Personnel will be available to provide systems documentation and explanations. The City will not provide the auditor with use of City computer equipment, but wireless internet access will be available.

9.3 Work Space, Telephone, Copier, and Fax

The City will provide the auditor with reasonable work space, access to one telephone line, copier/scanner and fax machines

SCOPE OF WORK
EXHIBIT A

10 *CHANGE ORDERS*

No services that will result in additional cost should be provided before the contract administrator's written approval is obtained. Once the contract has been awarded, the auditor will not be permitted to charge the City for any additional service that is not within the scope of the original proposal to the City. If changes cause an increase or decrease in the firm's cost or time for performance of services under this contract, an equitable adjustment will be made through a written change order signed by both parties. Any such additional work agreed to between the City and the firm shall be performed at the rates set forth in the schedule of professional fees and expenses included in the pricing section.

11 *CORRESPONDENCE*

All correspondence from the firm to the City pertaining to audit services should be sent to the Finance Director.

12 *LIAISON*

The CPA firm will provide a primary audit liaison for the City's Finance Director. This liaison must be capable of coordinating all audit activities with the City and be available to resolve any problems or issues that may arise. The liaison must be available by email, phone and personal contact.