



**RFP 15-15
Service Agreement
City of Galveston, Texas**

RFP #15-15
Date: May 15, 2015

Open: June 15, 2015 at 2:00PM

Sealed Responses/Proposals, prepared with **one original, one readable media, and ten (10) copies** addressed to the Purchasing Supervisor, City Hall, room 302, 823 Rosenberg, Galveston, Texas 77550, will be received **2:00PM on June 15, 2015** opened immediately in that office in the presence of the City's auditor or a witness from the Finance Department and the Purchasing Supervisor. Any submission received after **2:00PM** on the date specified will be returned unopened, for the following project.

RFP #15-15
The City of Galveston is seeking sealed proposals from qualified firms to audit its financial statements for the fiscal year ending September 30, 2015 for the Department of Finance in the City of Galveston, Texas

Proposals package

The Request for Proposals, Attachment 1, any Specifications/line Item Details, and the Proposal Sheet are all considered part of the proposal package. Proposals must be submitted on the forms provided by the City, including the Proposal Sheet completed in its entirety and signed by an authorized representative by original signature. Failure to complete and sign the proposal sheet/contract page(s) will disqualify the submittal from being considered by City Council. Any individual signing in behalf of the submitter expressly affirms that he/she is duly authorized to tender the proposals and to sign the Proposals Sheet/contract under the terms and conditions in this proposal. Submitter further understands that the signing of the contract shall be of no consequence unless the proposals are subsequently awarded and the contract properly executed by City Council.

Note: proposals must be submitted on the forms provided herein. The proposals sheet, tax statement, nepotism statement, non-collusion statement, and any other forms marked as needing to be returned must be completed, signed and witnessed as required or the submittal is non-responsive.

Envelopes will be sealed and marked with the Request for Proposal number and opening time on the outside bottom left corner to avoid the opening before the prescribed time.

Proposals sent by facsimile (fax) machine shall be rejected as being non-responsive specifications.

In an effort to maintain fairness in the process, inquiries concerning this procurement, including questions related to technical issues are to be directed to:

Tifney M Scott
Purchasing Supervisor
E-mail address: scotttif@cityofgalveston.org
Questions Deadline: June 8, 2015 at 5PM
****The Subject Line should read: Audit**

Pre Proposal

There will be a pre proposal meeting on June 1, 2015 at 2:00PM at City Hall, 823 Rosenberg, Room 204, Galveston, Texas 77550. This meeting is NOT mandatory, but highly recommended.

Restrictive or ambiguous specifications

It is the responsibility of the prospective submitter to review the entire packet and to notify the Purchasing Office if the specifications are formulated in a manner that would restrict competition or appear ambiguous. Any such protest or question(s) regarding the specifications or procedures must be received in the Purchasing Office not less than seventy-two hours prior to the submission deadline. Submitters are to respond as specified herein or bid an approved equal.

Modification of proposals

A submitter may modify a response by letter at any time prior to the submission deadline. The modification letter must be received prior to the submission deadline. Alterations made before opening time must be initialed by the submitter guaranteeing authenticity. Proposals may not be amended or altered after the official opening with the single exception that any supporting data required will be accepted at any time prior to City Council's consideration of the response.

Award of contract

By submitting proposals, the submitter agrees that if their submission is accepted by City Council, they will furnish all items and services upon which prices have been tendered and upon the terms and conditions in the proposals and contract.

Contractor shall submit to the City, for approval, within ten (10) days from notice of contract award, all Certificates of Insurance evidencing the required coverage as described under the required insurance schedule of the Request for Proposals.

The contractor shall not commence work under these terms and conditions of the contract until all applicable Certificates of Insurance have been approved by the City of Galveston and he/she has received notice to proceed in writing and an executed copy of the contract from the City of Galveston.

Evaluation Process

All submissions will be examined by an evaluation committee. The committee will evaluate all submissions based on the specifications written in the actual scope of services. If any specifications should conflict with anything stated in the Invitation for Proposals, the specifications in the actual scope of services shall control except for indemnity provisions.

Proposals that do not conform to the instructions given or which do not address all the services as specified may be eliminated from consideration. The City of Galveston, however, reserves the right to accept such proposals if it is determined to be in the City's best interest to do so.

The City of Galveston may initiate discussions with vendors. Discussions may not be initiated by vendors. The City of Galveston expects to conduct discussions with vendor personnel authorized to contractually obligate the vendor with an offer. Vendors shall not contact any City of Galveston personnel during the RFP process without the express permission from the City's Purchasing Agent. The City of Galveston Purchasing Agent may disqualify any vendor who has made site visits, contacted City of Galveston personnel or distributed any literature without authorization from this office.

- a. Contract fees are to be negotiated between CITY and the selected grant administrator based on fixed rates or itemized pricing maximums as provided in Exhibit B the "Itemized Pricing for Local Project Delivery Expenses". If agreement of fees and terms cannot be achieved with selected firm, negotiations shall commence with the alternate firm selected

by the CITY, and the process repeated.

b. Upon successful negotiations, City will execute a contract with the selected administrative firm. The Scope of Work in the final executed contract between CITY and the selected administrative firm will be further defined based on the funded CITY projects and will be made a part of the contract.

All correspondence relating to this RFP, from advertisement to award, shall be sent to the City of Galveston's Purchasing Department. All presentations and/or meetings between the City of Galveston and the vendor relating to this RFP shall be coordinated by the City of Galveston Purchasing Department.

No award can be made until the City of Galveston City Council approves such action.

Submission of a proposal implies the vendor's acceptance of the evaluation criteria and vendor recognition that subjective judgments must be made by the evaluating committee.

Non-discrimination:

During the performance of this contract, the contractor agrees as follows:

(1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

Responsibility

The City must decide whether or not the responder has the strengths to be granted an award. Certain criteria must be met such as: financial stability, capability and capacity. History of past litigation due to lack of performance may be considered but not necessarily used as a determining factor.

The award will be made to the submitter who is determined to be the best able to fulfill the requirements as set out in the specifications.

Contract term

The term of the resultant contract will begin on the date of execution by City Council and will terminate on the date specified in the resultant contract unless terminated earlier as herein set forth.

Re-appropriation of Budget Items

The City may reduce the funds allocated and the services required under this Agreement at its discretion. The City shall notify responder in writing of this reduction. Responder shall not perform any services subtracted from this Agreement. The de-obligation of funds does not require

any formal amendment of this Agreement but shall be evidenced by a revised budget approved by City Council.

Force Majeure

If by reason of Force Majeure either party shall be rendered unable, wholly or in part, to carry out its responsibilities under this contract by any occurrence by reason of Force Majeure, then

the party unable to carry out its responsibility shall give the other party notice and full particulars of such Force Majeure in writing within a reasonable time after the occurrence of the event, and such notice shall suspend the party's responsibility for the continuance of the Forced Majeure claimed, but for no longer period.

Force Majeure means acts of God, floods, hurricanes, tropical storms, tornadoes, earthquakes, or other natural disasters, acts of public enemy, acts of terrorism, sovereign conduct, riots, civil commotion, strikes or lockouts, and other causes that are not occasioned by either Party's conduct which by the exercise of due diligence the party is unable to overcome and which substantially interferes with operations.

No commitment by the City of Galveston

This Request for Proposals does not commit the City of Galveston to award any costs or pay any costs, or to award any contract, or to pay any costs associated with or incurred in the preparation of a submission to this request, or to procure or contract for services or supplies.

Change Orders, as per Texas Local Government Code section 252.048

- (a) If Changes in plans or specifications are necessary after the performance of the contract is begun or if it is necessary to decrease or increase the quantity of work to be performed, the governing body of the municipality may approve change orders making the changes.
- (b) The total contract price may not be increased because of the changes unless additional money for increased costs is appropriated for that purpose from available funds or is provided for by the authorization of the issuance of time warrants.
- (c) If a change order involves a decrease or an increase of \$15,000 or less, the governing body may grant general authority to an administrative official of the municipality to approve the change order.
- (d) The original contract price may not be increased under this section by more than 25 percent. The original contract price may not be decreased under this section by more than 25 percent without the consent of the contractor.

Appropriation of Funds

The City of Galveston may establish an appropriation (allocation) of funds for this project, if in the event that appropriated (allocated) funds are exhausted, the responder's only remedy shall be suspension or termination of its performance under this contract and shall have no other remedy in law or in equity against the City and no right to damages of any kind.

Confidentiality of information in proposals

Pursuant to State law, proposals shall be opened in a manner that avoids disclosure of the contents to competing offerors and keeps them secret during negotiations. All proposals are open for public inspection after the contract is awarded, but trade secrets and confidential information in the proposals are not open for public inspection.

Exception to proposals

The submitter will list on a separate sheet of paper any exceptions to the conditions of the proposal. This sheet will be labeled, "Exceptions to proposal conditions", and will be attached. If no exceptions are stated, it will be understood that all general and specific conditions will be complied with, without exception.

Changes in specifications

If it becomes necessary to revise any part of this Request for Proposals, a written notice of such revision will be provided to all submitters. The City is not bound by any oral representation(s), clarification(s), or changes made in the written specifications by the City's employees, unless such clarification or change is provided to submitters in a written addendum from the Purchasing Supervisor.

Protest

Any actual or prospective submitter who is allegedly involved with the solicitation or award may protest. The protest must be submitted in writing to the City of Galveston's Purchasing Supervisor within three working days after such aggrieved person knows of, or should have known of the facts giving rise thereto. If the protest is not resolved by mutual agreement, the Purchasing Supervisor will promptly issue a decision in writing to the protesting party.

All protest lodged by potential or actual responders must be made in writing and contain the following information:

1. Name, address and telephone number of the protestor.
2. Identification of the solicitation or contract number and time.
3. A detailed statement of the protest's legal and factual grounds, including copies of relevant documents.
4. Identification of the issue (s) to be resolved and statement of what relief is requested.
5. Arguments and authorities in support of the protest.
6. A statement that copies of the protest have been mailed or delivered to all interested parties in the invitation to bid or request for proposals process. In the case of RequestffFor Proposals, the City of Galveston Purchasing Supervisor shall ask the protester to mail or deliver the protest to relevant parties.

The City of Galveston's City Manager has the authority to render the final determination regarding the protest. Any determination rendered by the City of Galveston will be final.

Proof of insurance

The successful submitter agrees to maintain certain types of insurance protection throughout the duration of the project. All insurance policies are to be issued by an insurance company authorized to do business in the State of Texas, using an insurance company with an A.M. Best rating of a B+ or better. All subcontractors utilized must also comply with these specifications as if they were the winning proposer. Specific details of coverage limits and conditions are to be followed as listed below. Any variance from these requirements must be denoted in writing and included as exceptions to the proposals specifications.

Required insurance

- a. Commercial general liability insurance, naming the City of Galveston as an additional insured and as certificate holder, and waiving subrogation per the contractual requirements of this project. Limits are to be equal to or greater than:
 - \$2,000,000** general liability (includes products and personal, etc.)
 - \$1,000,000** fire damage
 - \$1,000,000** automobile damage
 - \$500,000** workers compensation employers' liability
 - Statutory** limits for workers compensation

Insurance coverage shall be on an “**occurrence basis**”

- b. Professional Liability insurance - The Contractor shall maintain in full force and effect a professional liability insurance policy which provides coverage in an amount not less than

\$2,000,000 per occurrence and \$2,000,000 aggregate. Said insurance policy provides coverage to the City for any damages or losses suffered by the City as a result of any error or omission or neglect by the Contractor which arises out of the professional services required by this Agreement

Pursuant to Sec. 2-341 of the City Code, the City has made the following Declaration of policy

It is the policy of the City of Galveston to stimulate growth of local minority and women-owned business enterprise (M/WBE) by encouraging their participation in all phases of its contract and procurement activity and by affording them the opportunity to compete for all City of Galveston contracts. The purpose and objectives of this article are to:

1. Increase the capacity of local M/WBE's to provide products and services.
2. Increase the opportunities for local M/WBE's to expand their business with the city and other public and private sector business entities.

Provided, however, nothing herein shall require the city to award contracts for services or procurements to a M/WBE which is not otherwise qualified.

Additionally The City of Galveston has a Disadvantaged Business Enterprise, (DBE) program mandated by the US Department of Transportation, which is part of its M/WBE program.

Laws

Responders must comply with all Federal, State, and local laws and regulations.

Withdrawal of proposals

Submitters may request withdrawal of sealed proposals prior to the scheduled opening time provided the request for withdrawal is submitted to the Purchasing Supervisor in writing. No proposals may be withdrawn for a period of sixty calendar days after the opening.

The City of Galveston reserves the right to reject any and all proposals, in whole or in part; to waive any informality in any submission, and to accept the proposals, which, in its discretion, is in the best interest of the City of Galveston. In case of ambiguity or lack of completeness in stating the prices in any proposals, the City reserves the right to consider the most advantageous proposals thereof.

The City Manager is the only person authorized to execute contracts on behalf of the City. All signature pages must include “approved as to form” and be signed by the City Attorney before the City Manager will execute the contract.

Neither department heads nor elected officials are authorized to sign any binding contracts or agreements prior to being properly placed on the City Councils agenda and approved in an open meeting. Department heads and other elected officials are not authorized to enter into any type of agreement or contract on behalf of the City of Galveston. Only the City Manager may enter into a contract on behalf of the City of Galveston as authorized by City Council and the City Charter. Additionally, department heads and other elected officials are not authorized to agree to any type of supplemental agreements or contracts for goods or services. Supplemental agreements are subject to review by the City's Legal Department prior to being signed by the City Manager, (City's authorized representative).

Indemnity clause

IN ACCORDANCE WITH STATE LAW, THE CONTRACTOR AGREES TO INDEMNIFY, SAVE, AND HOLD HARMLESS THE CITY OF GALVESTON, TEXAS, ITS EMPLOYEES, OFFICIALS, AND AGENTS FROM ANY AND ALL CLAIMS, ACTIONS, DAMAGES, LAWSUITS, PROCEEDINGS, JUDGMENTS, OR LIABILITIES, FOR PERSONAL INJURY, DEATH, OR PROPERTY DAMAGE RESULTING FROM THE ACTS OR OMISSIONS OF ANYONE UNDER THE CONTRACTOR'S SUPERVISION OR CONTROL.

IN THE EVENT OF ANY CAUSE OF ACTION OR CLAIM ASSERTED BY A PARTY TO THIS AGREEMENT OR ANY THIRD PARTY, THE CITY WILL PROVIDE THE CONTRACTOR WITH TIMELY NOTICE OF SUCH CLAIM, DISPUTE OR NOTICE. THEREAFTER, THE CONTRACTOR SHALL AT ITS OWN EXPENSE, FAITHFULLY AND COMPLETELY DEFEND AND PROTECT THE CITY AGAINST ANY AND ALL LIABILITIES ARISING FROM THIS CLAIM, CAUSE OF ACTION, OR NOTICE.

IF THE CONTRACTOR SHOULD FAIL TO SO SUCCESSFULLY DEFEND, THE CITY MAY DEFEND, PAY OR SETTLE THE CLAIM OR OTHER CAUSE OF ACTION WITH FULL RIGHTS OF RECOURSE AGAINST THE CONTRACTOR FOR ANY AND ALL FEES, COSTS, EXPENSES, AND PAYMENTS, INCLUDING BUT NOT LIMITED TO ATTORNEY FEES AND SETTLEMENT PAYMENTS, MADE OR AGREED TO BE PAID IN ORDER TO DISCHARGE THE CLAIM, CAUSE OF ACTION, DISPUTE OR LITIGATION.

IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO, BOTH CONTRACTOR AND CITY OF GALVESTON, THAT THE INDEMNITY PROVIDED FOR IN THIS PARAGRAPH IS AN AGREEMENT BY CONTRACTOR TO INDEMNIFY AND PROTECT CITY OF GALVESTON FROM CONSEQUENCES OF CITY OF GALVESTON'S OWN NEGLIGENCE, WHEN THAT NEGLIGENCE IS A CONCURRING CAUSE OF THE INJURY, DEATH, OR DAMAGE. FURTHERMORE, THE INDEMNITY PROVIDED FOR IN THIS PARAGRAPH SHALL HAVE NO APPLICATION TO ANY CLAIM, LOSS, DAMAGE, CAUSE OF ACTION, SUIT, OR LIABILITY WHERE THE INJURY, DEATH, OR DAMAGE RESULTS FROM THE SOLE NEGLIGENCE OF THE CITY OF GALVESTON UNMIXED WITH THE FAULT OF ANY OTHER PERSON OR ENTITY. CONTRACTOR ASSUMES NO LIABILITY FOR THE SOLE NEGLIGENCE OF CITY OF GALVESTON, ITS OFFICERS, AGENTS, OR EMPLOYEES.

Provision to be applied if Indemnity is Void

If the foregoing indemnity provision is found void for any reason, and only in that case, then the parties agree that if any claim or suit for damages of any nature arising out of or occasioned by Contractor's breach of any of the terms or provisions of this Contract or by any negligent act or omission of Contractor, its officers, agents, associates, employees or subcontractors, then Contractor will be obligated to pay for the legal defense of the City, its officers, agents and employees against such claim or suit (including the costs and expenses associated with that defense). It is additionally expressly agreed that any payment due as a result of any successful claim or lawsuit shall be paid by the party or parties found liable in the proportion of liability found against that party after the matter has been finally litigated or, alternatively, in the proportion agreed upon by the parties if the matter is settled. This provision does not waive any immunity or defense available to either party under Texas law. The provisions of this Paragraph are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity.

This agreement is binding upon and is to inure to the benefit of the parties, their successors, assigns, and personal representatives.

City of Galveston
Department of Finance
Purchasing Division

**INVITATION FOR PROPOSALS SHEET
RFP #15-15
CITY OF GALVESTON, TEXAS**

**Having read and understood the instructions, terms, conditions and specifications,
we submit the following:**

Witness

Company Name

Date

Authorized Representative Signature

Printed Name

Title

Correspondence Address

Remit Address

City, State, Zip Code

City, State, Zip Code

Tax Identification Number (Tin/Fien/Ssn)

Telephone Number

Fax Number

Email address

THIS DOCUMENT MUST BE COMPLETED AND SUBMITTED

ATTACHMENT A – “PROPERTY TAXES STATEMENT”

**FAILURE TO COMPLETE THIS ATTACHMENT SHALL RESULT IN THE PURCHASING
SUPERVISOR DEEMING SUBMISSION
“NON-RESPONSIVE.”**

The City of Galveston, Texas has adopted the following policy:

The City of Galveston will not do business with any person or business that owes delinquent property taxes to the City.

Please indicate whether you or your company, owe delinquent property taxes to the City whether an assumed name, partnership, corporation, or any other legal form.

_____ I do not owe the City property taxes that are delinquent.

_____ I owe City property taxes that are delinquent on property located at

Bidder's Printed or Typed Name

Bidder's Signature

Date

THIS DOCUMENT MUST BE COMPLETED AND SUBMITTED

ATTACHMENT B – “NEPOTISM STATEMENT”

FAILURE TO COMPLETE THIS ATTACHMENT SHALL RESULT IN THE PURCHASING SUPERVISOR DEEMING YOUR SUBMISSION “NON-RESPONSIVE.”

The Submitter or any officer, if the Submitter is other than an individual, shall state whether Submitter has a relationship, either by blood or marriage, with any official or employee of the City of Galveston by completing the following:

If the Submitter is an individual:

_____ I am not related by blood or marriage to any official or employee of the City of Galveston

_____ I am related by blood or marriage to the following official(s) or employee(s) of the City of Galveston

Name and title of City Official

Or employee: _____

Relationship: _____

If the Submitter is **NOT** an individual:

_____ The officers of the company submitting are not related by blood or marriage to any official or employee of the City of Galveston.

_____ The officers of the company submitting this are related by blood or marriage to the following official(s) or employee(s) of the City of Galveston.

Name and title of officer: _____

Employee and title of City Official or Employee: _____

Relationship: _____

THIS DOCUMENT MUST BE COMPLETED AND SUBMITTED

ATTACHMENT C –“NON-COLLUSION STATEMENT”

THE UNDERSIGNED AFFIRM THAT THEY ARE DULY AUTHORIZED TO EXECUTE THIS CONTRACT, THAT THIS COMPANY, FIRM, PARTNERSHIP OR INDIVIDUAL HAS NOT PREPARED THESE PROPOSALS IN COLLUSION WITH ANY OTHER SUBMITTER, AND THAT THE CONTENTS OF THESE PROPOSALS AS TO PRICES, TERMS OR CONDITIONS OF SAID PROPOSALS HAVE NOT BEEN COMMUNICATED BY THE UNDERSIGNED NOR BY ANY EMPLOYEE OR AGENT TO ANY OTHER PERSON ENGAGED IN THIS TYPE OF BUSINESS PRIOR TO THE OFFICIAL OPENING OF THESE PROPOSALS.

VENDOR _____

ADDRESS _____

PHONE _____

FAX _____

BIDDER (SIGNATURE) _____

BIDDER (PRINTED NAME) _____

POSITION WITH COMPANY _____

**SIGNATURE OF COMPANY OFFICIAL
AUTHORIZING THIS BID** _____

**COMPANY OFFICIAL
(PRINTED NAME)** _____

OFFICIAL POSITION _____

THIS DOCUMENT MUST BE COMPLETED AND SUBMITTED

THE CITY OF GALVESTON, TEXAS

DOCUMENT 00435, REQUIRED BY ALL BIDDERS WHO WILL RECEIVE FEDERAL FUNDS IN PAYMENT OF PROCUREMENT.

BIDDER'S CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION (49 CFR PART 29)

The undersigned certifies, by submission of this proposal or acceptance of this contract, that neither Contractor nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntary excluded from participation in this transaction by any Federal department or agency. Bidder agrees that by submitting this proposal that Bidder will include this clause without modification in all lower tier transactions, solicitations, proposals, contracts, and subcontracts. Where the Bidder or any lower tier participant is unable to certify to this statement, that participant shall attach an explanation to this document.

Certification-the above information is true and complete to the best of my knowledge and belief.

(Printed or typed Name of Signatory)

(Signature)

(Date)

NOTE: The penalty for making false statements in offers is prescribed in **18 U.S.C. 1001**

END OF DOCUMENT 00435-FAA

THIS DOCUMENT MUST BE COMPLETED AND SUBMITTED

I. INTRODUCTION

A. General Information

The City of Galveston is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending September 30, 2015 thru 2017.

The City has received the Governmental Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting each year beginning in 2003. The City, therefore, is searching for a firm that actively participates in technically assisting clients that have previously been awarded the certificate.

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

To be considered, ten copies of a proposal must be received at 823 Rosenberg, Galveston, Texas by **2:00PM. on June 15, 2015**. The City reserves the right to reject any or all proposals submitted. Firms submitting proposals may be requested to make oral presentations to the Finance and Fiscal Affairs Committee (FFAC) as part of the evaluation process. The FFAC will make a recommendation to the City Council, who will make the final selection.

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

It is anticipated that council will select a firm at the Council meeting scheduled for July 9, 2015. Following the notification of the selected firm it is expected that a contract will be executed between both parties by July 16, 2015.

B. Term of Engagement

A three-year contract is contemplated, subject to an annual review, satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), recommendation of the FFAC and the concurrence of the City Council.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be Performed

The City of Galveston desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

The City also desires the auditor to express an opinion on the fair presentation of its budgetary comparisons for each of the City's major funds and non-major funds in the aggregate. The

auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an “in-relation-to” report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and schedules. The auditor is not required to audit the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

B. Auditing Standards to be Followed

The audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in Government Auditing Standards issued by Comptroller General of the United States, the provisions of the Single Audit Act of 1984 and the provisions of OMB Circular A-133.

C. Reports to be Issued

1. Comprehensive annual financial report (CAFR).
2. Single Audit Report
3. Management letter addressed to the Finance and Fiscal Affairs Committee with observations and recommendations to improve the internal control structure, financial reporting process and overall accountability.

In addition, auditors shall be required to make an immediate, written report to the FFAC of all irregularities and illegal acts of which they become aware.

Auditors shall report to the FFAC significant audit adjustments, disagreements with management, and difficulties encountered in performing the audit.

D. Special Consideration

The City will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The auditor shall provide reasonable assistance and advice to assure the City's continuing qualifications for the award.

E. 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 seven (7) 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 available, upon request, to the City.

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

III. DESCRIPTION OF THE GOVERNMENT

A. Name of Contact Person

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

B. Background Information

Background information on the City and its finances may be found in the City of Galveston Comprehensive Annual Financial Report for the Year Ended September 30, 2014, which is included with this Request for Proposals.

C. Fund Structure

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>
General Fund	1
Special Revenue Funds, including component units	19
Capital Projects Funds	6
Enterprise Funds, including component units	8
Internal Service Funds	7
Fiduciary Funds	3
Agency Fund	1

D. Budgetary Basis of Accounting

Annually, the City adopts a projection of revenues and expenditures for the General Fund, Rosenberg Library Fund and Enterprise Funds. The annual budgets, which are prepared on a modified accrual basis, constitute legally restrictive spending plans for each City department. Schedules of budget to actual revenues, expenditures and other financing sources (uses) are included in the financial statements. To further administer budgetary control the City records encumbrances in its accounting system.

E. Pension Plans

The City participates in three defined benefit plans administered by separate boards. The responsibility for pension plan administration and operation rests with each plan's board of directors. The Pension funds are included in the City's pension trust funds at the most recent calendar year.

F. Component Units

Blended component units included in the City's report (as primary government) include the Industrial Development Corporation, the Employee's Retirement Plan for City Employees, Firemen's Relief and Retirement Fund and the Employee's Retirement Plan for Police. Discretely reported component units include The Park Board of Trustees, the Galveston Island Redevelopment Authority which includes four Tax Reinvestment Zones Eleven, Twelve, Thirteen and Fourteen, two Public Improvement Districts: Campeche Shores, and Beachside Village, the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority and the Board of Trustees of the Galveston Wharves.

G. Magnitude of Finance Operations

The Accounting department consists of seven accountants and four support staff employees.

H. Computer Systems

Finance: Banner

Dell PowerEdge 2850
Dual, Dual Core Intel Xeon 3GHz CPUs
Windows 2003 SP1
2GB RAM

IBM 8841-41u
Dual CPU
Redhat Linux
7GB RAM

Application Server: OS Red Hat Enterprise Linux ES release 4
Oracle Application Server 10G
Database: Oracle9i Enterprise Edition Release 9.2.0.6
Oracle VM Server 3.3.2

VM Ware 5.5

Banner versions:

Applications:

Accounts receivable	8.3
Finance	8.6
GL	8.6
Payroll	8.11
Position Control	8.11

Utility billing: UMS by CUSI

Dell PowerEdge 2850
Dual, Dual Core Intel Xeon 3.2GHz CPUs
Windows 2003 SP1
4GB RAM

IBM xSeries 232/8668
Intel Pentium 3 1266MHz
Windows 2000 Server SP4
1.4GB RAM

CUSI Version 4.3

Municipal Court: Incode:

IBM Netfinity 5100 x Series 230
Intel Pentium 3 1GHz
Windows 2000 Server SP4
1.3GB RAM
Incode Version 9.0

I. Availability of Prior Audit Reports and Working Papers

A copy of the City of Galveston Comprehensive Annual Financial Report for the Year Ended September 30, 2014, single audit, management letter and responses are furnished herewith. 2014 working papers of the predecessor auditor will be available for review by the successor firm.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates:

<u>Activity</u>	<u>Date</u>
Pre-proposal conference	June 1, 2015
Due date for proposals	June 15, 2015
Oral presentation to FFAC	June 24, 2015

B. Notification and Contract Dates

Council action to select firm	July 9, 2015 ✕
Contract date	July 16, 2015 ✕

C. Schedule for the 2015 Audit (A similar schedule will be developed for audits of the future years)

<u>Activity</u>	<u>Date</u>
Submission of audit plan with list of schedules to be prepared by the Finance Department	August 24, 2015
Interim field work including substantial completion of single audit	September 23, 2015
Books ready for audit	December 1, 2015
Completion of audit field work & proposed adjusting entries	February 5, 2015
Draft of CAFR ready for review by finance staff	February 19, 2015
Final CAFR changes due	February 26, 2015
Delivery of CAFR to City Secretary	March 4, 2015
Audit firm to provide forty copies for distribution	March 4, 2015
FFAC CAFR review	March 23, 2015
Council CAFR acceptance	March 24, 2015
Due date for SF-SAC filing	March 28, 2015
Due date for CAFR to be filed with GFOA	March 28, 2015
Due date for CAFR to be filed with MAC (SEC 15c2-12)	March 28, 2015

X Indicated tentative dates.

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

A. Clerical Assistance

Clerical support will be made available to the auditor for the preparation of confirmations, routine letters and memoranda. The audit firm is expected to staff field support needed for work paper copies, permanent file origination and maintenance, and any technical assistance.

B. Electronic Data Processing (EDP) Assistance

The auditor will have full Read Only computer terminal access to all financial systems.

C. Schedules to be Prepared by the City Staff

1. Trial balance for each fund and account group
2. Changes in fixed assets
3. Investments and accrued interest
4. Accounts receivable balances
5. Unbilled receivables
6. Due to/due from other funds
7. Prepaid insurance
8. Depreciation schedules
9. Accounts payable
10. Changes in and year-end balances of general obligation and revenue bonds issued and outstanding
11. Component unit bonds issued and outstanding, unadjusted for results of confirmations
12. Cash and investment notes to the financial statements
13. Insurance in force

D. Work Area, Telephones, Photocopying, and Fax Machines

The City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephone and internet lines, copier machines and a fax machine.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

Questions must be submitted via email to Tifney Scott, City of Galveston at scottif@cityofgalveston.org, no later than 5:00 p.m., CDT on June 8, 2015. Answers to questions should be provided via addendum on the City of Galveston's website. Please register at www.cityofgalveston.org under notify me.

The City reserves the right to consider modifications to responses prior to the award of the contract, and to reject any and all responses as a result of the RFP. The City is not liable for cost incurred by the respondents prior to contract award.

1. Submission of Proposals

The following material is required to be received by 2:00PM June 15, 2015:

a. Ten copies of a Technical Proposal to include the following:

i. Title page

Title page showing the Request for Proposals' subject; the firm's name; the name, address and telephone number of a 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 performed, the commitment to perform the work within the time period, a statement of why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for the 2015 audit.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI.B. of this Request for Proposals.

b. A copy of a client's recently issued CAFR for which the Government Finance Officers Association Certificate for Excellence in Financial Reporting has been received.

c. The proposer shall submit an original and three copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID PROPOSAL
FOR
CITY OF GALVESTON
FOR
PROFESSIONAL AUDITING SERVICES
FOR THE YEAR ENDING SEPTEMBER 30, 2015

Section VI.C. of this Request for Proposals sets forth the requirements for the sealed dollar cost bid.

d. Proposers should send the completed proposal consisting of the two separate envelopes and the sample CAFR to:

Tifney Scott
Purchasing Agent
City of Galveston
823 Rosenberg, Room 306
Galveston, Texas 77553

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Galveston 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 firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the Request for Proposals

requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the Request for Proposals. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the Request for Proposals. While additional data may be presented, the following subjects, items nos. 2 through 10, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Galveston as defined by generally accepted auditing standards.

The firm also should provide an affirmative statement that it is independent of any and all component units of the City of Galveston, as defined by generally accepted auditing standards.

3. License to Practice in Texas

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

4. Firm Qualifications and Experience

The proposal 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 nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

The 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 governmental engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews 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 or any of its employees during the past three (3) years with state regulatory bodies, the TSBPA or other professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Texas. The firm also should provide

information on the government auditing experience of each person. This information should include relevant continuing professional education for the past two (2) years, specific government audit assignments, and memberships in professional organizations relevant to the performance of this audit.

The firm should provide information regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Galveston. However, in either case, the City retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this Request for Proposals can only be changed with the express prior written permission of the City, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. 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 of five) performed in the last three (3) years that are similar to the engagement described in this Request for Proposals. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. 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 Section II of this Request for Proposals. The work plan should include time estimates for each significant segment of the work and the staff level to be assigned. The planned use of specialists should be specified.

C. Sealed Dollar Cost Bid

1. Total All-inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this Request for Proposals. The total all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses.

The City of Galveston will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of 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 City of Galveston.
 - c. A total all-inclusive maximum price for the 2015 engagement.
 - d. Total all-inclusive maximum price per year for the 2015, 2016 and 2017 engagements or a statement as to how the price each year will be determined.
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page should be a schedule of professional fees and expenses which support the total all-inclusive maximum price. A sample of the required format is provided in the attachment (Appendix A).

3. Out-of-Pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates.

All estimated out-of-pocket expenses to be reimbursed should be presented in the sealed dollar cost bid in the format provided in the attachment (Appendix A). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

4. Rates for Additional Professional Services

If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this Request for Proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City of Galveston and the firm. Any such additional work agreed to between the City of Galveston and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal.

VII. EVALUATION PROCEDURES

A. Finance and Fiscal Affairs Committee

Proposals submitted will be evaluated by a seven member committee, which in turn will make recommendation to the City Council.

B. Review of Proposals

Finance department staff will use a point formula during the review process to score proposals. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

A report of scores for all firms submitting proposals will be presented to the FFAC. Technical proposals and dollar cost bids of eligible bidders will be made available to the Committee.

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

C. Oral Presentation

During the last week of June, as part of the evaluation process, the Finance and Fiscal Affairs Committee is expected to request any one or all firms to make oral presentations. The presentations will provide firms with an opportunity to answer any questions the Committee may have on a firm's proposal. As a result of the oral presentations, the Audit Committee may add points to the previously determined proposal scores to arrive at a total score for each firm.

D. Evaluation Criteria

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

1. Mandatory Elements
 - a. The audit firm is independent and licensed to practice in Texas.
 - b. The audit firm's professional personnel have received adequate continuing professional education within the proceeding two (2) years.
 - c. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.

- d. The firm adheres to the instructions in this Request for Proposals on preparing and submitting the proposal.
2. Technical Qualifications
- a. Expertise and Experience
 - i. The firm's past experience and performance on comparable government engagements.
 - ii. The quality of the firm's professional personnel to be assigned to the engagement.
 - iii. The quality of the firm's management support personnel to be available for technical consultation.
 - iv. Experience of the firm's personnel in assisting clients to obtain the Governmental Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.
 - b. Audit Approach
3. Price
4. Oral Presentation

E. Final Selection

The City Council is expected to select a firm based upon the recommendation of the Finance and Fiscal Affairs Committee.

It is anticipated that a firm will be selected at the July 9, 2015 meeting of the City Council. Following notification of the firm selected, it is expected an engagement will be executed between both parties by July 16, 2015.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Galveston and the firm selected.

The City of Galveston reserves the right without prejudice to reject any or all proposals.

APPENDIX A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR AUDIT OF THE 2015 FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners	\$	\$	\$	\$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Subtotal:				
Out-of-pocket expenses (specify):				
Total all-inclusive maximum price for the 2015 audit				\$

CITY OF GALVESTON

SINGLE AUDIT REPORT

SEPTEMBER 30, 2014

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galveston, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2015. Our report includes a reference to other auditors who audited the financial statements of the Park Board of Trustees of the City of Galveston, Texas, the Galveston Island Redevelopment Authority, the Board of Trustees of the Galveston Wharves, the City of Galveston Employees' Retirement Plan for Police, the City of Galveston Employees' Retirement Plan for City Employees and the Galveston Firefighters' Pension Fund as described in our report on the City's financial statements. With regards to the Park Board of Trustees of the City of Galveston, Texas and the Board of Trustees of the Galveston Wharves this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Galveston Island Redevelopment Authority, the City of Galveston Employees' Retirement Plan for Police, the City of Galveston Employees' Retirement Plan for Employees and the Galveston Firefighters' Pension Fund were not audited in accordance with *Governmental Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

A *deficiency in internal control* exists when 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 14-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Galveston's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 26, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB
CIRCULAR A-133 AND UNIFORM GRANT MANAGEMENT STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the City of Galveston, Texas' (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Uniform Grant Management Standards (UGMS) that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2014. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the Park Board of Trustees of the City of Galveston, Texas, and the Board of Trustees of the Galveston Wharves, which received \$2,163,704 and \$9,292,943, respectively, in federal awards which are not included in the City's schedule of expenditures of federal and state awards for the year ended September 30, 2014. Our audit, as described below, did not include the operations of the Park Board of Trustees of the City of Galveston, Texas and the Board of Trustees of the Galveston Wharves because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133) and the State of Texas *Uniform Grant Management Standards* (UGMS). Those standards, OMB Circular A-133 and UGMS, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and UGMS and which are described in the accompanying schedule of findings and questioned costs as item 14-02. Our opinion on each major federal and state program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 14-02 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and UGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 26, 2015, which contained unmodified opinions on those financial statements. The City's basic financial statements include the operations of the Park Board of Trustees of the City of Galveston, Texas, and the Board of Trustees of the Galveston Wharves, which received \$2,163,704 and \$9,292,943, respectively, in federal awards which are not included in the City's schedule of expenditures of federal and state awards for the year ended September 30, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and UGMS, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Council
City of Galveston, Texas

In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 26, 2015

**CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None noted
- Noncompliance material to financial statements noted? Yes No

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None noted

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Uniform Grant Management Standards? Yes No

Identification of major federal programs:

14.218

Community Development Block Grant

Identification of major state programs:

Public Transportation – State Funds

**CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

SECTION I – SUMMARY OF AUDITOR’S RESULTS – CONTINUED

Federal and State Awards – Continued

- Dollar threshold used to distinguish between type A and type B programs?

Federal \$ 1,098,515

State \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding #14-01 – Capital Asset Reconciliation

Criteria or Specific Requirement

Governmental Accounting Standards Board No. 34: *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, requires the reporting of capital assets.

Condition

During our testing of the City’s capital asset additions it was discovered that the additions listing, which is maintained in a manual spreadsheet, contained formula errors that lead to an inaccurate initial capital asset balance provided to the auditors.

() Compliance finding (X) Significant deficiency () Material weakness

Context

The City maintains their fixed asset detail in spreadsheets which provides an increased opportunity for error as these spreadsheets have inherently increased manual calculations and reconciliations over data inputs and processes.

Effect

The City’s capital assets additions were not being properly calculated in the additions spreadsheet which lead to inaccurate information being posted in the general ledger. Unless remediated, this could lead to material misstatements in the financial statements.

Cause

As a result of the fixed asset ledger being maintained in manual spreadsheets, an increased risk of misstatement is inherent due to the lack of system controls that would be in place in a computerized asset tracking module.

**CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

Finding #14-01 – Capital Asset Reconciliation – Continued

Recommendation

We recommend that the City consider converting its fixed asset tracking process to a computerized system designed to accumulate asset cost and calculate depreciation expense that integrates with its general ledger. These types of fixed asset accounting systems have been refined over the years and now can be purchased at a very reasonable cost. This will eliminate a significant amount of manual record-keeping duties, make operations more efficient, and provide more accurate and timely information.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding #14-02 – Schedule of Expenditures of Federal and State Awards

Criteria or Specific Requirement

Schedule of Expenditures of Federal and State Awards (SEFSA) should be prepared to include all federal award amounts expended, properly identify the Catalog of Federal Domestic Assistance (CFDA) numbers, and properly identify awards as belonging to clusters.

Condition

During the course of the audit, we identified that the Community Development Block Grant State's Program and Entitlement Grants and the Disaster Grants – Public Assistance Hurricane Ike grant improperly included the City's local match as part of current year federal expenditures. Additionally, we identified that an expenditure of the Enhanced Mobility of Seniors and Individuals with Disabilities grant was improperly recorded under the Disaster Grants – Public Assistance Hurricane Ike grant.

(X) Compliance finding (X) Significant deficiency () Material weakness

Context

The auditors found these conditions during the review of the SEFSA and testing of the underlying accounting records supporting the amounts recorded.

Effect

Federal and State expenditures were not properly recorded on the initial SEFSA received. In order to properly select those programs which will be tested as major federal programs in accordance with OMB Circular A-133 and UGMS, the auditors require complete and accurate information to be reported on the SEFSA. If not done properly, this could lead to non-compliance for federal and state awards and possible financial statement misstatement.

**CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

**SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS –
CONTINUED**

Cause

All necessary information was not gathered for preparation of the SEFSA. The information on the awards that the City expends is sometimes located in different departments within the City. Accordingly, the initial SEFSA received was incomplete with regards to award amount, amounts expended during the period under audit, federal agency and pass through information. Additionally, local matching requirements on certain grants were also not initially accounted for properly in certain circumstances.

Finding #14-02 – Schedule of Expenditures of Federal and State Awards – Continued

Recommendation

We recommend that the City's grant accountants should maintain information on all federal awards with the information necessary to be reported on the SEFSA and that the SEFSA be reviewed by the City's Director of Finance, or their designee, in order to ensure proper recording of all amounts.

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

**Finding #13-01 – Schedule of Expenditures of Federal and State Awards
Status – Not fully resolved, see current year finding 14-02**

SECTION V – CORRECTIVE ACTION PLAN

Finding #14-01: Capital Asset Reconciliation

Response

In order to increase system control's for accuracy and efficiency, the City will begin implementation of the financial system's Fixed Asset module including inventory in June 2015.

Contact Person: Tammy Jacobs, Assistant Director of Finance

Estimated Completion Date

We expect to complete the first phase of the project by September 30, 2015 to automate the current spreadsheets that contain capitalized assets. Phase two to inventory, tag and automate smaller but controllable assets will be completed by September 30, 2016.

**CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

SECTION V – CORRECTIVE ACTION PLAN – CONTINUED

Finding #14-02: Schedule of Expenditures of Federal Awards

Response

After discussions with the auditor, audit testing identified two instances in which local funds match were recorded as revenue prior to recording any grant expenditures. This caused a reduction of expenditures reported in the SEFSA for the Community Development Block Grant State's Program and Entitlement Grants and the Disaster Grants – Public Assistance Hurricane Ike grant. Additionally, there was an instance in which an expenditure of the Enhanced Mobility of Seniors and Individuals with Disabilities grant was reported under the incorrect CFDA in the SEFSA.

Management of the City's finance department will provide additional oversight and assistance with the generation of the grant roll-forward schedule to agree expenditure amounts reported in the SEFSA to amounts recorded in the general ledger. This will include higher level of communication with affected departments as well as establishing a consistent internal accounting policy regarding projects with a combination of funding sources, including grants.

Contact Person: Tammy Jacobs, Assistant Director of Finance

Estimated Completion Date: October 31, 2015

**CITY OF GALVESTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL GRANT FUNDS</u>				
<u>Department of Housing & Urban Development</u>				
<i>Direct Programs</i>				
** Community Development Block Grant	B-01-MC-48-0016	14.218	\$ 1,508	\$ -
** Community Development Block Grant	B-02-MC-48-0016	14.218	50,000	-
** Community Development Block Grant	B-07-MC-48-0016	14.218	29,663	-
** Community Development Block Grant	B-09-MC-48-0016	14.218	129,958	-
** Community Development Block Grant	B-10-MC-48-0016	14.218	9,839	-
** Community Development Block Grant	B-12-MC-48-0016	14.218	240,565	-
** Community Development Block Grant	B-13-MC-48-0016	14.218	931,052	-
** Community Development Block Grant	B-14-MC-48-0016	14.218	64,757	-
Total			1,457,342	-
ARRA - Neighborhood Stabilization Program	B-09-MS-48-0016	14.256	104,585	-
Total			104,585	-
HOME Program	M-02-MC-48-0208	14.239	8,500	-
HOME Program	M-04-MC-48-0208	14.239	30,925	-
HOME Program	M-07-MC-48-0208	14.239	83,287	-
HOME Program	M-08-MC-48-0208	14.239	49,193	-
HOME Program	M-09-MC-48-0208	14.239	143,530	-
HOME Program	M-10-MC-48-0208	14.239	35,468	-
HOME Program	M-11-MC-48-0208	14.239	149,314	-
HOME Program	M-12-MC-48-0208	14.239	113,095	-
HOME Program	M-13-MC-48-0208	14.239	48,624	-
Total			661,936	-
<i>Passed through Texas Department of Housing and Community Affairs</i>				
Community Development Block Grant State's Program and Non-Entitlement Grants	70090008	14.228	136,488	-
Total			136,488	-
<i>Passed through Texas General Land Office</i>				
** Community Development Block Grant State's Program and Entitlement Grants	DRS010051	14.218	22,851,014	-
** Community Development Block Grant State's Program and Entitlement Grants Round 2.1	DRS210051	14.218	540,926	-
Total			23,391,940	-
Total Department of Housing and Urban Development			\$ 25,752,291	\$ -

CITY OF GALVESTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL GRANT FUNDS</u>				
<u>Department of Transportation</u>				
<i>Direct Program</i>				
Federal Transit Formula Grant	TX-03-0217	20.507	\$ 16,646	\$ -
Federal Transit Formula Grant	TX-03-0235	20.507	42,752	-
Federal Transit Formula Grant	TX-90-X290	20.507	35,840	-
Federal Transit Formula Grant	TX-90-X780-00	20.507	96,284	-
Federal Transit Formula Grant	TX-90-X813-00	20.507	34,840	-
Federal Transit Formula Grant	TX-90-X873	20.507	7,498	-
Federal Transit Formula Grant	TX-12-X001	20.507	57,397	-
Federal Transit Formula Grant	TX-90-X940-00	20.507	226,187	-
Federal Transit Formula Grant	TX-39-0007-00	20.507	26,150	-
Federal Transit Formula Grant	TX-90-X990-00	20.507	74,868	-
Federal Transit Formula Grant	TX-95-X067-00	20.507	69,334	-
Total			687,796	-
<i>Passed through Texas Department of Transportation</i>				
Formula Grants for Rural Areas	51312F7209	20.509	194,819	-
Formula Grants for Rural Areas	51412F7185	20.509	454,175	-
Formula Grants for Rural Areas	51412F7210	20.509	329,862	-
			978,856	-
* Enhanced Mobility of Seniors and Individuals with Disabilities	51912F7216	20.513	127,345	-
* Job Access Reverse Commute	51012F7186	20.516	216,000	-
* New Freedom Program	51012F7075	20.521	489,969	-
Total			833,314	-
Airport Improvement Program	CSJ No 0712GLVST	20.106	12,872	-
Airport Improvement Program	CSJ No1212GLVSN	20.106	26,900	-
Airport Improvement Program	CSJ No 1212GVSTN	20.106	924,399	-
Total			964,171	-
Total Department of Transportation			\$ 3,464,137	\$ -
<u>Department of Justice</u>				
<i>Direct Program</i>				
ARRA - Public Safety Partnership and Community Policing (COPS) Grant	2009RKWX0822	16.710	\$ 502,140	\$ -
Total			502,140	-
<i>Passed through Galveston County</i>				
Edward Byrne Memorial Justice Assistance Grant Program				
JAG Grant	N/A	16.738	\$ 9,994	\$ -
Total			9,994	-
Total Department of Justice			\$ 512,134	\$ -

**CITY OF GALVESTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>FEDERAL GRANT FUNDS</u>				
<u>Department of Homeland Security</u>				
<i>Direct Programs</i>				
Disaster Grants - Public Assistance Hurricane Ike Total	PA-06-TX-1791	97.036	\$ 6,079,205 <u>6,079,205</u>	\$ - <u>-</u>
<i>Passed through Texas Department of Public Safety</i>				
Hazard Mitigation Grant Total	FEMA-1791-DR	97.039	809,399 <u>809,399</u>	- <u>-</u>
<i>Total Department of Homeland Security</i>			\$ 6,888,604	\$ -
Total Federal Grant Funds			\$ 36,617,166	\$ -

**CITY OF GALVESTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>STATE GRANT FUNDS</u>				
<u>Texas Department of Transportation</u>				
<i>Direct Program</i>				
Public Transportation - State Funds	51412F7017		\$ 779,828	\$ -
Public Transportation - State Funds	51512F7021		8,713	-
Routine Airport Maintenance Program	M112GLVST		12,899	-
STEP - WAVE	2012-Galvesto-s-1YG-0026		21,489	-
Total			<u>822,929</u>	<u>-</u>
<i>Total Texas Department of Transportation</i>			<u>\$ 822,929</u>	<u>\$ -</u>
<u>Texas Department of Public Safety</u>				
<i>Direct Program</i>				
Texas Department of Public Safty		12TX-EMPG-0339	\$ 40,812	\$ -
Total			<u>40,812</u>	<u>-</u>
<i>Total Texas Department of Public Safety</i>			<u>\$ 40,812</u>	<u>\$ -</u>
Total State Grant Funds			<u>\$ 863,741</u>	<u>\$ -</u>
Total Federal and State Grant Funds			<u>\$ 37,480,907</u>	<u>\$ -</u>

* Transit services cluster

** CDBG Cluster

CITY OF GALVESTON, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal and state awards presents the activity of all applicable federal and state awards of the City of Galveston, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included in the respective schedule. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards is presented using modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2014, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

NOTE 4. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The schedule of findings and questioned costs, including the summary of auditor's results for federal awards, is included beginning on page 7.