



CITY OF FORTUNA
REQUEST FOR PROPOSALS
For
PROFESSIONAL AUDITING SERVICES

May 8, 2018

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**CITY OF FORTUNA
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PROFESSIONAL AUDITING SERVICES**

I. INTRODUCTION

A. General Information

The City of Fortuna is requesting proposals from qualified certified public accountant firms to audit its financial statements for two fiscal years beginning with the fiscal year ending June 30, 2018, with the City holding an option to retain the selected accountant firm to audit the City's financial statements for three additional fiscal years.

These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards (1994)* issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations*.

There is no expressed or implied obligation for the City of Fortuna to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt.

To be considered, two (2) copies of a proposal must be received by Aaron Felmlee, Finance Director, City of Fortuna, 621 11th Street, Fortuna, CA 95540, by **4:00 P.M. on May 29, 2018**. The City reserves the right to reject any or all proposals submitted.

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

The City reserves the right to retain all proposals submitted and to use any idea(s) in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in the request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Fortuna and the firm selected.

It is anticipated the selection of a firm will be completed by early June 2018. Following the notification of the selected firm, a recommendation and proposed contract will be prepared for review and approval by the City Council at a regularly scheduled meeting. The City reserves the right to reject any or all proposals, to waive any non-material irregularities or information in any proposal, and to accept or reject any items or combination of items.

B. Term of Engagement

It is the intent of the City to contract for the services presented herein for a term of two years with the City holding an option to extend the contract up to an additional three years subject to satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm. The proposal package shall present all inclusive audit fees for each year of the contract term.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The City of Fortuna desires Financial Statements for the City of Fortuna to be prepared by the independent auditor and be fully compliant with current GASB requirements for each of the subsequent years of the audit firm's contract with the City.

The selected independent auditor will be required to perform the following tasks for each fiscal year:

The audit firm will perform an audit of all of the funds of the City of Fortuna. The City's Financial Statement will be prepared and processed by the audit firm. The audit firm will render their auditor's report on the basic financial statement which will include both Government-wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The audit firm will perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133, if applicable.

The audit firm shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriation Limit) and render a letter annually to the City regarding compliance.

The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.

In addition, the audit firm will prepare Financial Statements for the following:

- **CAFR and Management Letter (including report preparation)**
- **Single Audit (if applicable)**

- **GANN Limit Review (Proposition 4 Appropriations Limit Increment, as modified by Proposition 111)**

B. *Auditing Standards*

To meet the requirements of this Request for Proposals, the audit shall be performed in accordance with all applicable and generally accepted auditing standards including but not limited to:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
2. The standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act as amended; and
4. The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*.

C. *Working Paper Retention*

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 of Fortuna of the need to extend the retention period. The auditor will be required to make working papers available to the City of Fortuna or to other government agencies included in the audit of federal grants upon request from the City of Fortuna. 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.

D. *Irregularities and Illegal Acts*

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

III. DESCRIPTION OF THE GOVERNMENT

A. *Background Information*

The City of Fortuna is located in Humboldt County, in the northern portion of the State of California. The City serves approximately 12,000 residents in a land

area of 4.84 Squared Miles. The City's fiscal year begins on July 1 and ends on June 30.

The City of Fortuna was incorporated in 1906. Fortuna is a full-service city with six areas of responsibility. These include General Government, Finance, Community Development, Parks and Recreation, Public Safety and Public Works.

The City of Fortuna's operating budget in FY 2017-18 is approximately \$25 million for all funds combined and includes \$10.6 million in capital project budgets.

B. Fund Structure

The City of Fortuna currently uses or intends on using the following fund types and account groups in its financial reporting:

Fund Type/Account Group	Number of City Funds
General Fund	1
Special Revenue Fund	30
Debt Service Fund	3
Capital Projects Fund	8
Enterprise Fund	5
Fiduciary Funds	1
Private Purpose Trust Funds	1
General Fixed Assets Account Group	1
General Long-Term Debt Account Group	1

C. Computer Systems

The City's main computerized system is Multiple Operation Management (MOM). The applications operating on this system are general ledger, accounts payable, payroll, business licenses, and utility billing.

D. Availability of Prior Reports and Work Papers

Terry Krieg, CPA, conducted the City's most recent audit. The work papers of the previous audits are the property of the previous auditor and may be able to be reviewed by the successful Proposer. The City of Fortuna's latest audited

Financial Statements and/or CAFR are available for review on the City's website at <http://friendlyfortuna.com/>.

IV. TIME REQUIREMENTS

A. *Proposal Calendar*

The following is a list of key dates up to, and including, the date proposals are to be submitted:

<u>Date</u>	<u>Activity</u>
May 8, 2018	Request for proposal issued
May 22, 2018	Deadline for question submittal
May 29, 2018	Due date for proposals (due by 4:00 p.m.)
May, 2018	Oral Interviews (conducted at City's discretion)
June, 2018	Contract awarded by City Council

B. *Date Audit May Commence*

Audit planning, documentation of systems of internal control and compliance and transaction testing should be completed during interim stage. It is expected the City will close its books by September 30.

C. *Date Reports Are Due*

The auditor shall provide all drafts and recommendations for improvements to the Finance Director within a reasonable time period after the last day of field work. The auditor should be available for any meetings that may be necessary to discuss the draft audit reports. Notification of any deficiencies identified should be brought to the Director's attention within 72 hours. Once all issues of discussion are resolved, the draft completed Financial Statements, Single Audit report and other reports shall be delivered to the Finance Director or designee for review by the first week of December.

Please Note: *The Auditors may be consulted occasionally throughout the year as an information resource. Auditors may be asked to provide guidance on implementation of Government Account Standards Board (GASB) requirements and specifics of federal and state regulations as they may affect local government accounting. In addition, the auditors may be asked to assist with the implementation of new pronouncements.*

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

A. Finance Department Assistance

Finance Department staff will be available during the audit to assist the firm by providing information, documentation, and explanations.

B. Work Area, Telephone, and Office Equipment

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to a telephone, access to the general ledger system, and photocopying machines.

C. Report Preparation

All reports noted in Section II.A. will be prepared and edited by the audit firm. The audit firm will also be responsible for the printing and binding of at least **8** copies of each of the aforementioned Reports. In addition, for each of the aforementioned reports the City will require an electronic version and a camera ready pdf version.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries concerning the Request for Proposals and the subject of the Request for Proposals must be made via email to:

Aaron Felmlee, Director of Finance

afelmlee@ci.fortuna.ca.us

CONTACT WITH PERSONNEL OF THE CITY OTHER THAN THE ABOVE REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

Submission of Proposal. Two (2) copies of the Proposal shall be received by the City of Fortuna **by 4:00 p.m. on May 29, 2018** for a proposal to be considered.

PROPOSALS WILL NOT BE ACCEPTED THEREAFTER. All proposals received after said date and time will be returned unopened to the submitter. FAXED OR EMAILED PROPOSALS WILL NOT BE CONSIDERED.

POSTMARKS WILL NOT BE ACCEPTED. Please note that your response becomes property of the City of Fortuna and a matter of public record.

The Proposal should be addressed as follows:

**City of Fortuna
Aaron Felmlee, Director of Finance
621 12th Street
Fortuna, CA 95540**

B. Format for Technical Proposal

1. Title Page showing the request for proposals subject; the firm's name; the name, address, telephone number and email of the contact person; and the date of the proposal.
2. Table of Contents identifying the materials submitted by section and page number. Cross-referencing to section and page number in the RFP would be helpful.
3. Signed Transmittal Letter briefly stating the Proposer's understanding of the work to be done; the commitment to perform the work within the time period; and the name(s) of the person(s) authorized to represent the Proposer, title, address, and telephone number.
4. Detailed Proposal following the order set forth in Section C below.

C. Contents of Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of the City in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than the 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.

The Technical Proposal should address all points outlined in the Request for Proposals (excluding any cost information which should only be included in the Sealed Dollar Cost Bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the Proposer's capabilities to satisfy the requirements of this request for proposals. While additional data may be presented, the following subjects

must be included. They represent the criteria against which the proposal will be evaluated.

1. License to Practice in California

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

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Fortuna as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's *Government Auditing Standards*.

3. Firm Qualifications and Experience

To qualify the firm must have extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Statements in GASB 34 format. The Proposer 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. Staff consistency is an important consideration.

The Proposer must provide a list of all current municipal clients.

The Proposer is also required to submit a copy of a report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific government engagements, as required by Government Audit Standards (1994).

The Proposer 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. The Proposer shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with State regulatory bodies or professional organizations.

4. Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement managers and other supervisors and specialists who would be assigned to this engagement. Include resumes, indicating whether each such

person is registered or licensed to practice as a certified public accountant in California. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past (3) three years and membership in professional organizations relevant to the performance of this audit.

Provide as much current information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

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. However, in either case, the City 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.

5. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last 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.

Please provide a list of not less than five client references for whom services similar to those outlined in the RFP are currently being provided. For each reference listed provide the name of the organization, dates for which the service(s) are being provided, type of service(s) being provided and the name, address and telephone number of the responsible person within the reference's organization. The City reserves the right to contact any or all of the listed references regarding the audit services performed by the Proposer.

6. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposals. In developing the work plan, reference should be made to such sources of information as City of Fortuna's budget and related materials, organizational charts, manuals, programs, and financial and other management information systems.

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

- a. Proposed segmentation for the engagement;
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement;
- c. Sample size and the extent to which statistical sampling is to be used in this engagement;
- e. Type and extent of analytical procedures to be used in this engagement;
- f. Approach to be taken to gain and document an understanding of the City's internal control structure;
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

7. Identification Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.

NO DOLLAR AMOUNTS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

D. Contents of Cost Proposal

1. Breakdown of Costs

The cost proposal should contain breakdown for all direct and indirect costs including all out-of-pocket expenses for the following:

- Costs of Citywide Financials and additional required reports
- Single Audit Reports

The City 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 cost proposal should be submitted in the format provided in Attachment A, "AUDIT WORK COST PROPOSAL FORM" and Attachment B, "ESTIMATE OF COST."

2. 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 proposal. Interim billings shall cover a period of not less than a calendar month.

3. Contract Provisions

A copy of the City's Professional Services Agreement is attached as Attachment C. Any exceptions to the terms in Attachment C shall be set forth in the proposal or the proposing firm shall be deemed to have accepted those terms. The usual Engagement Letter may be attached as an exhibit to the contract.

VII. EVALUATION PROCEDURES

A. *Review of Proposals*

City Staff, consisting at a minimum, of the following, will evaluate submitted proposals:

Aaron Felmlee, Director of Finance
Merritt Perry, Interim City Manager

B. *Evaluation Criteria*

Proposals will be evaluated using three (3) sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in California.
- b. The firm has no conflict of interest with regard to any of the work performed by the firm for the City.
- c. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.
- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

- e. The firm's past experience and performance on comparable government engagements.
- f. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
- g. Adequacy of proposed staffing plan for various segments of the engagement.
- h. Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit.
- i. Commitment to timeliness in the conduct of the audit.
- j. Maximum fees to conduct the audit.
- k. Ability to meet the requirements of the City's Professional Services Agreement.

Attachment A

AUDIT WORK COST PROPOSAL FORM

Service	2017-18	2018-19	2019-20
City Audit and Related Reports	\$		
Single Audit Act Report, if applicable	\$		
Appropriations Limit Review	\$		
City's Financial Transaction Report to the State Controller's Office, at City discretion	\$		
Total for Fiscal Year (not-to exceed)	\$		

Fees for succeeding years should be noted as well.

Attachment B

ESTIMATE OF COST

Name of Firm: _____

Address: _____

Contact Name: _____

Contact Phone #: _____

Fax #: _____

Contact Email: _____

1. Auditor's Standard Billing Rates

Auditors Standard Hourly Billing Rates			
POSITION	2017-18	2018-19	2019-20
Partner	\$	\$	\$
Manager	\$	\$	\$
Senior Accountant	\$	\$	\$
Staff Accountant	\$	\$	\$
Clerical	\$	\$	\$

Attachment C

SAMPLE AGREEMENT
CONTRACT FOR SERVICES

THIS CONTRACT is made on _____, 2018, between the City of _____ (“the City”), and _____ (“Consultant”).

WITNESSETH:

WHEREAS, the City proposes _____; and

WHEREAS, the Consultant has presented a proposal for such services to the City, dated _____, 20__, and is duly licensed, qualified and experienced to perform those services;

NOW, THEREFORE, the parties hereto mutually agree as follows:

I. SCOPE OF SERVICES:

A. Consultant shall do all work, attend all meetings, produce all reports and carry out all activities necessary to completion of the services described in the City of Fortuna Request for Proposals for Professional Auditing Services dated May 8, 2018, attached hereto and incorporated herein by this reference as Exhibit “A”. This Contract and its exhibits shall be known as the “Contract Documents.” Terms set forth in any Contract Document shall be deemed to be incorporated in all Contract Documents as if set forth in full therein. In the event of conflict between terms contained in these Contract Documents, the more specific term shall control. If any portion of the Contract Documents shall be in conflict with any other portion, provisions contained in the Contract shall govern over conflicting provisions contained in the exhibits to the Contract.

B. Consultant enters into this Contract as an independent contractor and not as an employee of the City. The Consultant shall have no power or authority by this Contract to bind the City in any respect. Nothing in this Contract shall be construed to be inconsistent with this relationship or status. All employees, agents, contractors or subcontractors hired or retained by the Consultant are employees, agents, contractors or subcontractors of the Consultant and not of the City. The City shall not be obligated in any way to pay any wage claims or other claims made against Consultant by any such employees, agents, contractors or subcontractors, or any other person resulting from performance of this Contract.

C. The Consultant agrees it has satisfied itself by its own investigation and research regarding the conditions affecting the work to be done and labor and materials needed,

and that its decision to execute this Contract is based on such independent investigation and research.

II. TIME OF PERFORMANCE:

The following time schedule shall be followed:

A. The services of Consultant are to commence upon execution of this Contract by, and receipt of written notice to proceed from, City, and shall be undertaken and completed in a prompt and timely manner, in accordance with the Schedule of Performance to be mutually agreed upon by both the City and Consultant, ensuring that all external filing and award submission deadlines are met.

B. The City Manager or his or her designee may, by written instrument signed by the Parties, extend the duration of this Contract for an additional period not to exceed the lesser of one year or the original term of this Contract, provided that the extension does not require the payment of compensation in excess of the maximum compensation set forth in Section III, Compensation.

III. COMPENSATION:

A. The Consultant shall be paid for the actual fees, costs and expenses for all time and materials required and expended, pursuant to the Payment Plan incorporated herein as Exhibit "B" but in no event shall total compensation exceed _____ (), without City's prior written approval.

B. Said amount shall be paid upon submittal of a billing in accordance with the Payment Plan incorporated herein as Exhibit "C" showing completion of the tasks that month.

C. If the work is halted at the request of the City, compensation shall be based upon the proportion that the work performed bears to the total work required by this Contract.

IV. TERMINATION:

This Contract may be terminated, without cause, at any time by the City upon ____ () days' written notice. Upon receipt of such notice, Consultant shall cease all work under this Contract. In the event of any such termination, the Consultant shall be compensated as provided for in this Contract. Upon such termination, the City shall be entitled to all work, including but not limited to, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date in accordance with Section VII hereof. The obligations of paragraph/section XV of this Contract relating to Consultant's obligations to defend and indemnify the City shall survive any termination of this Contract.

Notwithstanding any provisions of this Contract, Consultant shall not be relieved of liability to the City for damages sustained by the City by virtue of any breach of this Contract by Consultant, and the City may withhold any payments due to Consultant until such time as the exact amount of damages, if any, due the City from Consultant is determined.

V. CHANGES:

The City may, from time to time, request changes in the scope of the services of Consultant to be performed hereunder. Such changes, including any increase or decrease in the amount of Consultant's compensation and/or changes in the schedule must be authorized in advance by the City in writing. Mutually agreed changes shall be incorporated in written amendments to this Contract, or the attached work program.

VI. EXTENSIONS OF TIME:

Consultant may, for good cause, request extensions of time to perform the services required hereunder. Such extensions shall be authorized in advance by the City in writing and shall be incorporated in written amendments to this Contract or the attached work program.

VII. PROPERTY OF CITY:

It is mutually agreed that all materials prepared by the Consultant under this Contract shall become the property of the City, and the Consultant shall have no property right therein whatsoever. Immediately upon termination, the City shall be entitled to, and the Consultant shall deliver to the City, all data, drawings, specifications, reports, estimates, summaries and other such materials and commission as may have been prepared or accumulated to date by the Consultant in performing this Contract which is not Consultant's privileged information, as defined by law, or Consultant's personnel information.

VIII. COMPLIANCE WITH LOCAL LAW:

Consultant shall comply with all applicable laws, ordinances, and codes of federal, state and local governments, and shall commit no trespass on any public or private property in performing any of the work authorized by this Contract. [It shall be City's responsibility to obtain all rights of way and easements to enable Consultant to perform its services hereunder. Consultant shall assist City in providing the same.

IX. WARRANTY:

Consultant agrees and represents that it is qualified to properly provide the services set forth in the City of Fortuna Request for Proposals for Professional Auditing Services dated May 8, 2018, attached hereto as Exhibit "A," in a manner which is consistent with the generally accepted standards of Consultant's profession. Consultant further represents and agrees that it will perform said services in a legally adequate manner in conformance with applicable federal, state and local laws and guidelines.

X. SUBCONTRACTING:

No services covered by this Contract shall be subcontracted without the prior written consent of the City, which will not be unreasonably withheld. Consultant shall be as fully responsible to the City for the negligent acts and omissions of its contractors and subcontractors, and of persons either directly or indirectly employed by them, as it is for the negligent acts and omissions of persons directly employed by Consultant.

XI. ASSIGNABILITY:

Consultant shall not assign or transfer any interest in this Contract whether by assignment or novation, without the prior written consent of the City which will not be unreasonably withheld. However, claims for money due or to become due Consultant from the City under this Contract may be assigned to a financial institution, or to a trustee in bankruptcy, without such approval. Consultant shall furnish promptly notice of any assignment or transfer, whether voluntary or involuntary, shall be to the City.

XII. INTEREST IN CONTRACT:

Consultant covenants that neither it, nor any of its employees, agents, contractors, subcontractors has any interest, nor shall they acquire any interest, direct or indirect, in the subject of the Contract, nor any other interest which would conflict in any manner or degree with the performance of its services hereunder.

Consultant shall make all disclosures required by the City's conflict of interest code in accordance with the category designated by the City, unless the City Manager determines in writing that Consultant's duties are more limited in scope than is warranted by the category designated by the City code and that a narrower disclosure category should apply. Consultant also agrees to make disclosure in compliance with the City conflict of interest code if, at any time after the execution of this agreement, City determines and notifies Consultant in writing that Consultant's duties under this agreement warrant greater disclosure by Consultant than was originally contemplated. Consultant shall make disclosures in the time, place and manner set forth in the conflict of interest code and as directed by the City.

XIII. MATERIALS CONFIDENTIAL:

All of the materials prepared or assembled by Consultant pursuant to performance of this Contract are confidential and Consultant agrees that they shall not be made available to any individual or organization without the prior written approval of the City, except by court order.

XIV. LIABILITY OF CONSULTANT-NEGLIGENCE:

Consultant shall be responsible for performing the work under this Contract in a manner which is consistent with the generally accepted standards of the Consultant's profession and shall be liable for its own negligence and the negligent acts of its employees, agents, contractors and subcontractors. The City shall have no right of control over the manner in which the work is to be done but only as to its outcome, and shall not be charged with the responsibility of preventing risk to Consultant or its employees, agents, contractors or subcontractors.

XV. INDEMNITY AND LITIGATION COSTS:

Consultant shall indemnify, defend, and hold harmless the City, its officers, officials, agents, and employees from and against any and all claims, damages, demands, liability, costs, losses and expenses, including without limitation court costs and reasonable attorneys' fees arising out of or in connection with Consultant's negligent

performance of work hereunder or its negligent failure to comply with any of its obligations contained in the Contract Documents, except such loss or damage which was caused by the sole negligence, or willful misconduct of the City.

XVI. CONSULTANT TO PROVIDE INSURANCE:

Consultant shall, at all times during the term of this Agreement, maintain and keep in full force and effect, the following policies of insurance with minimum limits as indicated below and issued by insurers with A.M. Best ratings of no less than A-: VI.

Commercial general liability at least as broad as ISO CG 0001 (per occurrence)	2,000,000
(general aggregate)	4,000,000
Commercial auto liability at least as broad as ISO CA 0001 (per accident)	1,000,000
Errors and omissions liability (per claim and aggregate)	2,000,000
Workers' compensation	Statutory

All insurance required by this section shall apply on a primary basis. Consultant agrees that it will not cancel or reduce said insurance coverage. Consultant agrees that if it does not keep the aforesaid insurance in full force and effect City may either immediately terminate this Agreement or, if insurance is available at a reasonable cost, City may take out the necessary insurance and pay, at Consultant's expense, the premium thereon.

Auto liability insurance shall cover owned, nonowned and hired autos. If Consultant owns no vehicles, auto liability coverage may be provided by means of a nonowned and hired auto endorsement to the general liability policy.

At all times during the term of this Agreement; Consultant shall maintain on file with City a certificate of insurance, in a form acceptable to City, showing that the aforesaid policies are in effect in the required amounts. The general liability policy shall contain or be endorsed to contain a provision including the Indemnitees as additional insureds. Consultant shall promptly file with City such certificate or certificates and endorsements if applicable. Coverage for the additional insureds shall apply to the fullest extent permitted by law.

No policy required by this section shall prohibit Consultant from waiving any right of recovery prior to loss. Consultant hereby waives such right with regard to the Indemnitees.

All insurance coverage and limits provided by Consultant and available or applicable to this agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement limits the application of such insurance coverage.

XVII. MISCELLANEOUS PROVISIONS:

A. The Consultant shall designate a project manager who at all times shall represent the Consultant before the City on all matters relating to this Contract. The project manager shall continue in such capacity unless and until he or she is removed at the request of the City, is no longer employed by Consultant, or replaced with the written approval of the City, which approval shall not be unreasonably withheld.

B. The Consultant shall keep itself fully informed of, shall observe and comply with, and shall cause any and all persons, firms or corporations employed by it or under its control to observe and comply with, applicable federal, state, county and municipal laws, ordinances, regulations, orders and decrees which in any manner affect those engaged or employed on the work described by this Contract or the materials used or which in any way affect the conduct of the work.

C. Consultant shall not engage in unlawful employment discrimination. Such unlawful employment discrimination includes, but is not limited to, employment discrimination based upon a person's race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status, gender, citizenship or sexual orientation.

D. The Consultant shall maintain and make available for inspection by the City and its auditors accurate records of all of its costs, disbursements and receipts with respect to any work under this Contract. Such inspections may be made during regular office hours at any time until six (6) months after the final payments under this Contract are made to the Consultant.

E. This Contract constitutes the entire agreement between the parties relative to the services specified herein and no modification hereof shall be effective unless and until such modification is evidenced by a writing signed by both parties to this Contract. There are no understandings, agreements, conditions, representations, warranties or promises, with respect to this Contract, except those contained in or referred to in the writing.

F. All notices that are required to be given by one party to the other under this Contract shall be in writing and shall be deemed to have been given if delivered personally or enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail addressed to the parties at the following addresses:

City: City of Fortuna
621 11th Street
Fortuna, CA 95540
ATTN: Aaron Felmlee, Finance Director

Consultant: _____

ATTN: _____

G. This Contract shall be interpreted and governed by the laws of the State of California.

H. Any action arising out of this Contract shall be brought in Contra Costa County California, regardless of where else venue may lie.

I. In any action brought by either party to enforce the terms of this Contract, the prevailing party shall be entitled to recover its reasonable attorney's fees.

SIGNATURES ON FOLLOWING PAGE

Executed the day and year first above written, by the parties as follows.

CITY OF FORTUNA

CONSULTANT

By: _____

By: _____

Title: Merritt Perry, Interim City Manager

Title: Name, Title _____

APPROVED AS TO FORM:

By: _____

Dave Tranberg, City Attorney

ATTEST:

By: _____

Siana Emmons, City Clerk

CERTIFICATE OF COMPLIANCE WITH LABOR CODE § 3700

I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

CONSULTANT

By: _____

Title: _____

EXHIBITS

2556677.1