

THE PORT OF HARLINGEN AUTHORITY



REQUEST FOR PROPOSAL (RFP)

For

EXTERNAL AUDIT SERVICES

Release Date: Tuesday, May 31, 2022
Proposals Due: Tuesday, June 28, 2022
(Refer to Section V for a complete Schedule of Events)

SECTION I: GENERAL INFORMATION FOR VENDORS

Purpose and Background

The Port of Harlingen Authority (the Port) is soliciting proposals from qualified certified public accounting firms (hereinafter "Firm") to perform the Port's annual audit, issue opinions on the related financial statements and provide other auditing services as described within this Request for Proposal **for fiscal years ending September 30, 2022 through September 30, 2024**, with the option of auditing The Port's financial statements for the two subsequent fiscal years ending, September 30, 2025 and 2026. The external audit will include evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. The external audit will also include tests of the Port's compliance with certain provisions of laws, regulations, contracts, and grant management.

"External Audit Services", as used herein, shall refer to all those services outlined in Section II: Service Requirements Information for Vendors.

This RFP represents a competitive process, which is designed to facilitate an open and fair opportunity for qualified firms to offer their services for consideration. This competitive RFP process will provide the Port with the flexibility to select the Firm whose proposal is deemed most advantageous for the Port and to negotiate with such Firm to arrive at a mutually agreeable contract. The purpose of this RFP is to establish parameters within which the Firm is to provide Audit Services. The Port reserves the right to accept or reject any and all Proposals and to re-solicit for proposals, as it shall deem to be in the Port's best interests. Receipt and consideration of any Proposal(s) shall, under no circumstance, obligate the Port to accept any proposal(s). If an award of contract is made, it shall be made to the responsible Firm whose Proposal is determined to be the best evaluated offer taking into consideration the relative importance of the evaluation factors set forth in the RFP.

During the evaluation process, The Port reserves the right to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. Firms may be requested to make oral presentations as part of the final evaluation process.

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

Description of The Port of Harlingen Authority

The audit firm's principal contact with The Port will be Robert B. McDonald, CPA, Chief Financial Officer at 956-423-0283 who will coordinate the assistance to be provided by The Port to the auditor.

The Port of Harlingen is located in Cameron County on the Arroyo Colorado River, 25 miles inland of the Gulf Intracoastal Waterway (GIWW). The Port was created in 1926 under the Texas Constitution Water Code, Chapter 62, Section 59, organized as a navigation district, originally known as the Arroyo Colorado Navigation District of Cameron and Willacy Counties. The Port was not operational until 1952.

The Port of Harlingen Authority is a separately established Landlord Port, whose five (5) elected commissioners serve a four-year term. The financial statements of The Port have been prepared in conformity with accounting principles accepted in the United States of America (GAAP) as applied to government units.

The Port has no component units nor does the Port participate in any joint ventures. The Port uses a single Proprietary Fund, which is an enterprise fund. The Port has seven (7) full-time, salaried employees: Port Director, Chief Financial Officer, Director of Public Relations & Marketing, Administrative Assistant, Receptionist, Maintenance Supervisor and Maintenance Employee.

Relationship with Current Firm

The Port audit has been performed by Carr, Riggs & Ingram CPA and Advisors LLC out of Harlingen Texas since the fiscal year ending September 30, 2016. The current firm is eligible to submit a response to this RFP.

Proposal Submission

Proposals must be submitted by 4:00 p.m. on June 28, 2022. Proposals may be mailed, delivered, or sent by e-mail. If mailed or delivered, "EXTERNAL AUDITING SERVICES – RFP" should be notated on the outside of the envelope. If sent by e-mail, "EXTERNAL AUDITING SERVICES – RFP" should be the subject line. Proposals should be sent to:

Robert B. McDonald, CPA
Port of Harlingen Authority
24633 Port Rd.
Harlingen, TX 78550

or Robert B. McDonald, CPA
Port of Harlingen Authority
Robert@PortofHarlingen.com

Any proposal received after the deadline specified above will not be considered.

RFP Questions

Questions concerning this RFP should be directed to Robert B. McDonald, CPA at Robert@PortofHarlingen.com

Laws and Regulations

All applicable federal and state laws, and the rules and regulations of all authorities having jurisdiction over the agreement shall apply to the agreement throughout, and they will be considered to be included in the agreement, regardless of whether they are written out in full in the agreement or not.

Tax Exemption

The Port of Harlingen Authority is exempt from Federal Excise and State Sales Tax; therefore, tax must not be included in any contract that may be awarded from this RFP.

Errors or Omissions

The Firm shall not be allowed to take advantage of any errors or omissions in this RFP. Where errors or omissions appear in this RFP, the Firm shall promptly notify the designated contact person in writing of such error or omission it discovers. Any significant errors, omissions or inconsistencies in this RFP are to be reported no later than ten (10) days before the RFP response is to be submitted.

Withdrawal of Proposals

A representative of a Firm may withdraw a proposal at any time prior to the RFP submission deadline, upon presentation of acceptable identification as a representative of such Firm.

Costs Incurred in Responding

All costs directly or indirectly related to preparation of a response to the RFP or any oral presentation required to supplement and/or clarify a proposal which may be required by the Port shall be the sole responsibility of and shall be borne by the participating Firms.

Non-Endorsement

If a proposal is recommended for award or awarded, the successful Firm shall not issue any news releases or other statements that state or imply the Port endorses the successful Firm's services.

Proprietary Information

Information submitted to the Port with an RFP is considered to be public once a contract has been awarded and executed. If a Firm wishes to seek protection for any submitted information, the Firm is required to identify all purported proprietary information in the Proposal by marking each page on which such information appears with the words "Proprietary Information." If a Firm fails to identify proprietary information, it agrees that by submitting its Proposal all unmarked sections shall be deemed non-proprietary and made available upon public request.

Firms are advised that the Port, to the extent permitted by law, shall protect the confidentiality of their Proposals. Firm shall consider the implications of the Texas Public Information Act, particularly after the RFP process has ceased and the agreement has been awarded. While there are provisions in the Texas Public Information Act to protect proprietary information where the Firm can meet certain evidentiary standards, please be advised that a determination on whether those standards have been met shall not be decided by the Port but by the Office of the Attorney General of the State of Texas. In the event a request for public information is made, the Port shall notify the Firm pursuant to 552.305, Texas Government Code. An affected Firm may then submit to the Attorney General the Firm's arguments against disclosure. The Port shall not make arguments to the Attorney General on the basis of a Firm's purported proprietary interests.

Disclosure Requirements

Firm must disclose to the Port any known or reasonably anticipated conflicts of interest regarding the Firm providing services to the Port and must also disclose any legal or disciplinary events that may be material to the Port's evaluation of the Firm or the integrity of the Firm's management or advisory personnel.

SECTION II: SERVICE REQUIREMENTS INFORMATION FOR VENDORS

Scope of Services

The Port of Harlingen Authority requires the Firm to express an opinion on the fair presentation of its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and the financial reporting requirements of the Governmental Accounting Standards Board (GASB).

The Firm shall be responsible for performing certain procedures involving Management's Discussion and Analysis and the supplementary information as required by the Government Accounting Standards Board and Generally Accepted Auditing Standards (GAAS).

The Firm will be required to conduct reviews, meet standards, and issue reports as detailed below and may also be requested to perform other auditing services at the discretion of the Port.

Required Auditing Standards

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

- 1) Generally Accepted Auditing Standards and Audits of State and Local Governmental Units as issued by the American Institute of Certified Public Accountants (AICPA)
- 2) Government Auditing Standards, as issued by the Comptroller General of the United States
- 3) 2 CFR 200, Audits of State and Local Governments, Office of Management and Budget (OMB)
- 4) The provisions of the Federal Single Audit Act (as amended), if applicable
- 5) The provisions of the Texas Single Audit Circular
- 6) Statements on Auditing Standards
- 7) Other standards specified below under Required Reports
- 8) Other applicable federal, state and local laws or regulations or professional guidance not specifically listed herein as well as any additional requirements, which may be adopted by these organizations in the future

Required Reports

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following on an annual basis:

- 1) A report on the fair presentation of the Port's basic financial statements as a whole, in conformity with GAAP.
- 2) A report on the internal control structure based on the auditor's understanding of the control structure and control risk assessment.
- 3) A report on compliance with laws and regulations.
- 4) Reports required by the Single Audit Act of 1996, 2 CFR 200, and the State of Texas Uniform Grant Management Standards to include:
 - a. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
 - b. A report on compliance for each major federal and state grant program; report on internal control over compliance; and report on schedule of expenditures of federal and state awards required by 2 CFR 200 and the State of Texas Uniform Grants Management Standards.
 - c. Irregularities and illegal Acts. Auditors shall be required to make an immediate, written report to the Chief Financial Officer, Port Director, and Port Commission as appropriate of any and all irregularities and illegal acts of which auditors become aware.

Special Considerations and Services

- 1) The selected Firm will ensure that the Port remains compliant with changes in any reporting requirements to remain in conformity with GAAP.
- 2) The selected Firm may be asked to perform other services (e.g. more tests of details or additional agreed upon procedures) as deemed appropriate by the Port.

Public Funds Investment Act Compliance

The selected Firm will evaluate the Port's compliance with the Public Funds Investment Act (the Act). The Public Funds Investment Act regulates the investment activities of State agencies and local governments in the State of Texas. A compliance checklist is to be used for testing compliance with the Act in local governmental entities only. Material instances of non-compliance will be noted in a separate report published by the selected Firm regarding the Port's compliance with laws and regulations.

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the Firm's expense, for a minimum of five years, unless the firm is notified in writing by the Port of the need to extend the retention period. The selected Firm will be required to make working papers available, upon request, to representative of federal and state agencies and the Port.

In addition, the selected 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. As requests for copies of working papers are fulfilled, the selected Firm will be required to notify the Chief Financial Officer of the request, as appropriate.

Assistance to be Provided to the Selected Firm

1) Port Staff

The Port staff will be available during the audit to assist the Firm by providing information, documentation, and explanations. The Port Staff will prepare all working papers and confirmations necessary to prepare the financial statements, at the request of the firm. If requested by the Firm, Port Staff will be available for any interim work, prior to September 30. In an effort to contain audit costs, the Port prefers to prepare as many audit worksheets and schedules as is practical to reduce the clerical work to be performed by the firm. The Port is also interested in hearing any other cost containing suggestions the Firm may have.

2) Information Technology (IT) Assistance

All of the Port's IT functions are outsourced to a local provider. This provider will be available to assist the selected Firm in performing the engagement. The Port requests that any documentation or assistance required of the local provider, by the selected Firm, be communicated to the Port as early in the audit process as is practical.

3) Work Area, Network, Telephones, Photocopying and Fax Machines

The Port will provide the selected Firm with reasonable workspace, desks and chairs. The selected Firm will also be provided access to telephone lines, photocopying facilities and facsimile machines for the on-site audit staff. Any cost or charge incurred not associated with the engagement will be paid by the selected Firm.

4) Prior Year Audit Reports

Copies of the Port's prior year audit reports can be found on the Port's website at: <https://portofharlingen.com/financials/>.

SECTION III: TECHNICAL PROPOSAL

General Requirements

The purpose of the Technical Proposal is to demonstrate the qualification, competence and capacity of the firms seeking to be the selected Firm and to undertake annual independent audits of the Port in conformity with the requirement of this RFP. 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. It should also specify an audit approach that will meet the RFP requirements.

The Technical Proposal should address all the points outlined in the RFP. The Proposal should be prepared simply and economically, providing a straightforward, concise description of the Firm's Capabilities to satisfy the requirements of this RFP. The Proposal should indicate if the selected Firm plans on conducting most of the field work remotely or onsite, and what factors contribute to that decision.

Independence

The Firm shall provide an affirmative statement that it is independent of the Port as defined by Generally Accepted Auditing Standards/the U.S. General Accounting Office's Government Auditing Standards. The Firm must also list and describe its (and any proposed subcontractors') professional relationships involving the Port or any of the Port's agency/agencies, component unit/units, or oversight units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit work.

License to Practice in Texas

An affirmative statement must be included indicating that the Firm and all assigned key professional staff (and any proposed subcontractors and their staff) are properly registered and licensed to practice in the State of Texas.

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 and part-time basis.

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

The Firm is also required to submit a copy of the report on its most recent external quality control review, with a statement as to whether that quality control review included a review of specific government 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 during the past three (3) years with any state or federal regulatory bodies or professional organizations.

Partner, Supervisory and Staff Qualifications and Experience

The Firm shall individually identify the proposed principal supervisory and management staff, including engagement partners, managers and other supervisors who would be assigned to the engagement and indicate whether each such person is registered or licensed to practice as a certified public accountant in Texas. The Firm also must provide information on the government auditing experience of each identified person, including information on relevant continuing professional education for the past three (3) years, the number of years of local government experience, experience as it relates to the latest GASB pronouncements, and membership in professional organizations relevant to the performance of this audit.

The Firm also must indicate how the quality of staff over the term of the agreement will be assured. Engagement partners, manager, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. Those personnel may also be changed for other reasons with notification to the Port. However, in either case, the Port retains the right to approve or reject replacements, and Firm must explain how consistent quality among such assigned personnel shall be maintained.

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 five (5) years that are similar to the engagement described in this Request for Proposal. For each listed engagement indicate the scope of work, date, engagement partners, and the name and telephone number of the principal client contact. Identify all current government clients and their fiscal year end date.

Identification of 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 Port.

Recommended Audit Schedule

The proposal should include a recommendation by the Firm for an audit schedule for the fiscal year audit. The Port requires a final comprehensive annual financial report and management letter by January 31, following the end of the fiscal year.

Schedule of Proposal Prices

A. Total All-Inclusive Maximum Price

The Schedule of Proposal Prices must contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price must contain all direct and indirect costs to be charged to the Port, including all Firm out-of-pocket expenses for which reimbursement will be sought. The Schedule of Proposal Prices must include maximum pricing for each year of the potential five-year engagement period. The Port will not reimburse or otherwise be responsible for expenses incurred in preparing and submitting a response. Such costs may not be included in the proposal. The first page of the Schedule of Proposal Prices must include the following information:

- i. Name of the Firm
- ii. 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 Port
- iii. A Total All-Inclusive Maximum Price for the 2022 engagement
- iv. All-Inclusive Maximum Price for each of the subsequent four years, with clear indication of whether such amount is an estimate or a firm price offer.

B. Rates by Partner, Specialist, Supervisor and Staff Level Times/Hours Anticipated for Each

The second page of the Schedule of Proposal Prices must include a schedule of professional fees and expenses that supports the Total All-inclusive Maximum Price for 2022 as well as subsequent years.

C. Out-Of-Pocket Expenses

Out-of-pocket expenses must be included and will count against the Total All-Inclusive Maximum Price. All estimated out-of-pocket expenses to be reimbursed should be presented in the Proposal Package for each potential year of the engagement. All expense reimbursements will be charged against the Total All- Inclusive Maximum Price submitted by the Firm.

D. Rates for Additional Professional Services

If it should become necessary for the Port to request the Firm to render any additional services to either supplement the services requested in this RFP or to perform additional work, any such additional work must be agreed to in writing between the Port and the Firm and shall be performed at the same rates, set forth in the schedule of fees and expenses included in the Proposal Package.

E. Invoices for Fees

All invoices for fees, services, or costs shall be submitted with sufficient detail to demonstrate strict compliance with contract terms.

SECTION IV: CRITERIA FOR PROPOSAL EVALUATIONS

A. ACCEPTANCE OF THE FOLLOWING TERMS:

- 1. Contract.** The Port intends to select and enter into a formal mutually agreed upon contract with the Firm as soon as practicable after selection of the Firm. If Firm and the Port are unable to agree to the contract terms, the Port reserves the right to select another competing proposal.
- 2. Contract Term.** The contract between the selected Firm and the Port for external audit services will be for an initial term of three years beginning with the audit for Fiscal Year 2022, which services are expected to commence on or about October 1, 2022, or as otherwise dictated by the needs of the Port. Each subsequent renewal period will automatically go into effect unless either party provides at least sixty (60) days' written notice in advance of the applicable anniversary date that the contract will not be renewed.

Any adjustments in rates in subsequent years may only be made by mutual agreement of the parties prior to a renewal.

3. Reservation of Rights.

- a. The Port reserves the right to award one (1), or no contract or reject any or all proposals received in response to this RFP.
- b. The contract, if awarded, will be awarded to the Firm or Firms whose proposals are deemed most advantageous to the Port, as determined by the selection committee, and subject to approval of the Port Commissioners.
- c. The Port may accept any proposal completely or in part. If subsequent negotiations are conducted, they shall not constitute a rejection or alternate RFP on the part of the Port. However, final selection of a Firm is subject to Port Commissioner's approval.
- d. The Port reserves the right to waive informalities and irregularities in the proposals received. The Port also reserves the right to terminate this RFP, and reissue a subsequent solicitation, and/or remedy technical errors in the process.
- e. The Port reserves the right to add similar services or delete services specified in any contract resulting from this procurement if requirements change during the performance of the contract. Prices for services to be added to the contract must be mutually agreed to by the Port and selected Firm. A contract modification will be required for any service addition or deletion or price modification.
- f. This RFP does not commit the Port to enter into a contract, award any services related to this RFP, or obligate the Port to pay any costs incurred in preparation or submission of a proposal or anticipation of a contract.

4. Conflicts of Interest.

- a. No public official may have interest in this contract in accordance with the Texas Local Government Code Title 5, Subtitled C, Chapter 171.
- b. Disqualification for failure to disclose material information to the Port: A Firm may be disqualified for failure to disclose material information to the Port. "Material information" is defined as information of sufficient importance or relevance as to have possible significant influence on the Port's choice of the Firm.

B. TOTALITY OF INFORMATION PROVIDED IN THE RESPONSE TO THE RFP

The following criteria will be used to evaluate proposals received:

1. Firm's Qualifications and Experience (50%)

This criterion includes the ability of the Firm to meet the terms of the RFP, and any special considerations, which the Firm feels may increase its ability to perform the contract. Within this criterion consideration will be given to:

- a. Expertise; level of capability to perform the services required
- b. Quality of performance; professional qualifications of the key personnel assigned relevant to the work to be performed
- c. Experience, within the last five (5) years, providing the same or substantially similar services as outlined in this RFP for other entities, preferably local government sector entities.
- d. Reputation, ethical standards, and disciplinary history such as judgments or sanctions

2. Understanding the Needs of the Port (30%)

This factor refers to the extent to which the Firm's proposal reflects its:

- a. Understanding of the Port's external audit needs and objectives.
- b. Understanding of the nature and scope of the work involved.
- c. Accessibility and responsiveness, including ability to meet the schedules and deadlines as outlined in this RFP.

3. Reasonableness of Costs (20%)

These points will be awarded based on the cost and efficiency of the Firm's proposed approach. Efficiency and economy are very important to the Port, but this area will not necessarily be the primary deciding factor in the selection process.

SECTION V: SCHEDULE OF EVENTS

RFP Release Date	May 31, 2022
Proposals Due	June 28, 2022, 4:00 pm
Anticipated Port Commission Approval	August 18, 2022
Anticipated Effective Date of Contract	September 1, 2022