



**REQUEST FOR PROPOSALS FOR SERVICES TO PROVIDE AUDITS AND
COMPLIANCE REVIEWS OF CANNABIS BUSINESSES OPERATING IN THE CITY**

RFP Issue Date: September 13, 2019

Proposal Submittal Due Date: October 1, 2019 at 5:00pm

FINANCE DEPARTMENT
23 Russell Blvd, Davis, California 95616

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REQUEST FOR PROPOSALS FOR SERVICES TO PROVIDE AUDITS AND COMPLIANCE REVIEWS OF CANNABIS BUSINESSES OPERATING IN THE CITY

The City of Davis desires to solicit qualified proposals for services to provide audits and compliance reviews of cannabis businesses operating in the City in accordance with this Request for Proposals (RFP). The award resulting from this RFP shall be a contract for a three year period, with the option to extend the agreement for up to two (2) additional one year contract periods, at the City's sole discretion.

I. INTRODUCTION

The City of Davis invites interested parties to submit written proposals to provide as-needed auditing services of the cannabis businesses operating within the City.

II. BACKGROUND

The City of Davis is a university-oriented city with an estimated population in 2018 of 69,761. It is internationally known for its commitment to environmental awareness and implementing progressive and socially innovative programs. The city's quality of life and progressive community is reflected in its small-town style and many well-known symbols: energy conservation, environmental programs, green belts, parks, and preservation of trees, red double-decker buses, bicycle paths, a record number of bicycles per capita, and the quality of its educational institutions.

Located in Yolo County, in the Central Valley of northern California, Davis is situated 11 miles west of Sacramento, 385 miles north of Los Angeles and 72 miles northeast of San Francisco

III. PROJECT OVERVIEW AND OBJECTIVES

Measure C, as well as the City's municipal code, Chapter 21 Marijuana/Cannabis Business Permits, Article 04.160 Retail Cannabis Business/Maintenance of records allows the City or its designated agents to conduct periodic audits and inspections of the cannabis businesses' books, logs and financial and operational records. The City of Davis is interested in securing the services of a third-party vendor to conduct one annual financial audit and up to two compliance reviews of all of Davis's permitted cannabis businesses. Examples of related objectives are provided below:

A. Objective 1: Conduct Annual Financial Audit and Operational Audit

Related tasks could include, but not necessarily be limited to:

1. Issuance of notification letters to each cannabis business;
2. Desk audit
3. Plan of Operations audit
4. Security plan audit
5. Inventory Audit
6. Point of Sale Audit
7. Software Systems Audit
8. Audit of:
 - a) Visitor and authorized invitees log
 - b) Samples tested records

- c) Membership records
- d) Patient complaint log
- e) Proper posting of regulatory certifications
- 9. Facility and Security Audit

B. Objective 2: Conduct Up to Two Annual Compliance Reviews

Related tasks could include, but not necessarily be limited to, a review of the following:

- 1. Compliance with the City's locally adopted cannabis ordinances and regulations
- 2. Confirmation of proper inventory management practices
- 3. Review of employee records
- 4. Correct use of RFID tags or other identification tags
- 5. Proper documentation/ certification and use of extraction machines
- 6. Occupational badge requirements
- 7. Accurate documentation of pesticides and other solvents
- 8. Business records retention
- 9. Tax information records
- 10. Alarm system maintenance and security standards
- 11. Video surveillance practices
- 12. Video footage retention requirements
- 13. Camera location and maintenance of surveillance equipment
- 14. Transportation Manifest
- 15. Waste Disposal
- 16. Compliance with State packaging and labeling requirements
- 17. Other information as deemed necessary to ensure compliance with State and local law

IV. SCOPE OF SERVICES

It is important that each cannabis business operating within Davis accurately maintains its books and records to ensure proper reporting to the various taxing entities and ensure the City obtains an accurate payment of its gross receipts tax (currently made on a quarterly basis) by each business.

The City is now seeking to retain the services of an auditor (or consulting firm with relevant credentials and capabilities) to perform the aforementioned objectives. It is preferred, although not mandatory, that the proposing respondent has experience in preparing audits of cannabis-related businesses, due to the unique nature of these businesses. Although twelve cannabis businesses were approved by the City Council, only nine are currently operating in the City as of the date of release of this RFP. It is expected that the auditor may need to perform audits on all types of cannabis-related businesses in the future, including, but not limited to, companies that sell medicinal and adult use cannabis and cannabis-infused products, distribution, manufacturing of cannabis products, or other categories to be determined in the future. Therefore, the proposing auditor should be familiar with the typical operational costs of running such businesses, the state's unique tax structure for cannabis businesses, along with other business operations related to finances unique to the cannabis industry (e.g. banking system challenges associated with cannabis businesses).

The product expected from the successful auditor will be the preparation of at least one audit per year of the operations and financials of each cannabis business operating in the City, which achieve the

objective highlighted above, including validating or refuting the accuracy of the bookkeeping, operational costs, payments of required taxes, and compliance with local regulations.

Due to each cannabis business opening for business at different times, it is anticipated that the need to prepare the audits may occur several times during the year. Additionally, due to the evolving nature of the cannabis industry, as well as periodic changes to local City-led regulations, it can be expected that the need for additional audits will be ongoing on an as-needed basis.

V. PROPOSAL REQUIREMENTS

All proposals must provide specific and succinct answers to all questions and requests for information listed below. Indirect, imprecise or incomplete responses will not be accepted. Submission of resumes is encouraged, but alone may not be considered responsive to any specific questions contained herein.

A. Cover Letter/Scope of Services: Provide a brief cover letter summarizing the key points of the proposal, including an understanding of the work to be performed and why the firm believes itself be the best qualified to perform the services requested. The letter must be signed by an individual with authority to bind the proposer and should state that all conditions contained in the attached proposal are valid for a period of at least 90 days.

B. Company and Staff Information: Provide information about the firm, including such items as organization and ownership structure, history, experience and credentials to demonstrate the ability of the firm to provide the requested services, and the location of the principal office that will be responsible for the implementation of the contract. Provide the names, titles, experience, qualifications (including certifications) and resumes of the personnel who will be assigned to the City, including any sub-consultants.

C. Work Plan: Identify the process by which the audits and compliance reviews will be conducted, including the preferred method for obtaining information from staff and/or business owners, frequency of audits, etc.

D. Cost Proposal: Identify the proposed costs to carry out the outlined objectives and scope of services.

E. Additional Information: Please include any additional information you or your firm feels would be essential to the proper evaluation of your response to this Request for Proposals.

F. References: Provide a minimum of three (3) references who may be contacted to discuss their experience working with the firm on similar services. At least two of these references should be from municipalities or other public agencies with whom the firm has previously done business. Please provide contact information including the organization, name, title.

G. Exceptions to Specifications: Please specify if any.

H. NON-COLLUSION AFFIDAVIT

The Consultant declares, by signing and submitting a proposal, that the proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the proposal is genuine and not collusive or sham; that the Consultant has not directly or indirectly induced or solicited any other Consultant to put in a false or sham proposal, and has not directly or indirectly colluded, conspired, connived, or agreed with any Consultant or anyone else to put in a sham proposal, or that anyone shall refrain from proposing; that the Consultant has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the proposal price of the Consultant or any other Consultant, or to fix any overhead, profit, or cost element of the proposal price, or of that of any other Consultant, or to secure any advantage against the public

body awarding the contract of anyone interested in the proposed contract; that all statements contained in the proposal are true; and, further, that the Consultant has not, directly or indirectly, submitted his or her proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal.

VI. SUBMITTAL REQUIREMENTS

Consultants shall submit Items A-G as stated in Section V. - PROPOSAL REQUIREMENTS. Consultant is required to indicate the Designated Contact in the proposal package. Include the designated contact individual's name, address, phone number(s), and email address.

One original and three copies of the proposals shall be submitted, printed double-sided on recycled-content paper along with an electronic version in Adobe PDF format or similar open source file format. The original proposal must be clearly marked and contain original signatures and must be easily reproducible on a standard copying machine. The proposal shall be signed by an individual(s) authorized to execute legal documents on behalf of the Consultant.

Proposals shall be received by the City of Davis Finance Director no later than 5:00 p.m. on October 1, 2019. Late proposals will not be considered under any circumstance. Mail or deliver proposals to:

City of Davis
Nitish Sharma, Finance Director/Treasurer Finance Department
23 Russell Blvd,
Davis, California 95616

Failure to provide all required submittals in completed form and/or a clearly marked original with original signatures may result in a proposal being found non-responsive and given no consideration. Proposals must be neat, complete, and fully address all information specified in Section V. Proposals will not be valid until all information has been verified and proposing auditor's references checked. The completed proposal shall be without interlineations, alterations or erasures. Alternative proposals will not be considered unless requested. The proposal may be withdrawn upon request by the proposing auditor without prejudice up to, but not after, the time fixed for opening of proposals, if the request to withdraw the proposal is made in writing and is timely filed with the City. Proposals shall be submitted in accordance with the form prescribed by the City of Davis in the requirements and specifications section below. Failure to respond in this manner may render the proposal non-responsive.

A. Questions Regarding the RFP

For information concerning RFP questions, procedures and regulations (i.e., submission deadline, forms required, etc.) interested parties must contact the City's Finance Director. All questions shall be submitted via email to Nitish Sharma, Finance Director, at Nsharma@cityofdavis.org

B. Questions Regarding the Scope of Services

All inquiries regarding the scope of services for this Request for Proposals should be directed to Pamela Day, Financial Services Manager, via email at: Pday@cityofdavis.org. A copy of the inquiry and the response from the City shall be forwarded to all firms receiving a copy of this Request for Proposals.

C. Proposals Become the Property of the City

Proposals become the property of City and information contained therein shall become public property subject to disclosure laws after Notice of Intent to Award. The City reserves the right to make use of any information or ideas contained in the proposal.

D. Confidential Material

Proposing auditor must notify the City in advance of any proprietary or confidential material contained in the proposal and provide justification for not making such material public. The City shall have sole discretion to disclose or not disclose such material subject to any protective order which proposing auditor may obtain.

E. Rejection of Proposals

The City may reject any or all proposals and may waive any immaterial deviation in a proposal. The City's waiver of an immaterial defect shall in no way modify the Request for Proposal (RFP) documents or excuse the proposing auditor from full compliance with the specifications if he/she is awarded the contract. Proposals referring to terms and conditions other than the City's terms and conditions may be rejected as being non-responsive.

F. The City may conduct investigations, as it deems necessary, to determine the ability of the proposing auditor to perform the work specified herein. The proposing auditor shall furnish to the City any and all information requested by the City for this purpose. The City reserves the right to reject any proposal if the evidence submitted by, or investigation of, such proposing auditor fails to satisfy the City that such proposing auditor is properly qualified to carry out the obligations of the contract and to complete the work specified.

G. Conditions

1. Failure to meet all requirements will not disqualify a firm. However, the City will evaluate each proposal to determine its overall fit in the best interests of the City.
2. All third-party solutions proposed as part of a joint proposal are subject to the same requirements of this RFP, unless otherwise stated.
3. This RFP, its general provisions, and the terms and conditions identified shall be incorporated in any agreement resulting from this solicitation, and the RFP and its terms and conditions, shall control unless the Agreement expressly provides otherwise.
4. All proposals and any subsequent clarification or response to the City's questions shall be valid for a minimum of 120 days.

H. City's Rights Reserved

1. The City reserves the right to select the proposal(s), which in its sole judgment best meets the needs of the City. The lowest proposed cost will not be the sole criterion for recommending the contract award.
2. The City reserves the right to award multiple contracts from this RFP.
3. The City may modify this RFP by issuance of one or more written addenda. Addenda will be posted on the City website and sent electronically to all proposers registered with the City. The City reserves the right to extend the proposal due date.
4. The City reserves the right to meet with, or conduct interviews of, select proposers at any time to gather additional information.
5. The City shall not be liable for any pre-contractual expenses incurred by prospective auditors, including but not limited to costs incurred in the preparation or submission of proposals. The City shall be held harmless and free from any and all liability, claims, or expenses whatsoever incurred by, or on behalf of, any person or organization responding to this RFP.

I. Special Consideration

J. Right to Cancel

This solicitation does not obligate the City to enter into an agreement with any proposing auditor. The City retains the right to cancel in part or in its entirety, this RFP at any time. No obligation, either expressed or implied, exists on the part of the City to make an award or to pay any cost incurred in the preparation or submission of a proposal. If City cancels or revises this RFP, City will notify all proposers in writing and post cancellation notice on the City website. This RFP does not commit City to award a contract, to defray any cost incurred in the preparation of a proposal pursuant to this RFP, or procure or contract for work.

K. Additional Information

City reserves the right to request additional information and/or clarifications from any or all proposers to this RFP.

VII. ESTIMATED SCHEDULE

RFP Issue Date	September 13, 2019
Proposal Submittal Due Date	October 1, 2019
Selection and Notification (Tentative)	October 8, 2019
Award of Contract (Tentative)	TBD

VIII. EVALUATION OF PROPOSALS

Proposals must fully address the evaluation factors, contain complete technical submittals, references and data to verify qualifications and experience, and include a statement that the City contract can be executed, listing any exceptions. As part of the technical proposal, Consultants must evaluate the City's proposal terms and conditions.

All proposals will be reviewed for compliance with specifications including documented capability to perform the prescribed work in a satisfactory manner. Proposals, which appear to be compliant, will be evaluated on a point system (0-100 points, with 100 being the best possible score) in accordance with the following:

CRITERIA (qualifications will be evaluated against, but not limited to, the following criteria)	MAXIMUM POINTS
1. Understanding of the scope of work and the ability and capacity, in the opinion of the City of Davis, to provide as-needed auditing services to meet the needs and considerations of the City of Davis	40 points
2. Experience working with cannabis-related businesses' financial documents	20 points
3. Professional qualifications of the staff to be assigned	10 points
4. Cost of Services	15 points
5. References and other evidence submitted supportive of excellent past experience in providing similar services	5 points
6. Completeness of response to the Request for Proposals	10 points

The City reserves the unilateral right to amend this RFP in writing at any time. The City also reserves the right to cancel or reissue the RFP at its sole discretion. Additionally, the City may seek clarification or additional information from Consultants. All Consultants shall verify if any addendum for this project has

been issued by the City and shall respond to the final written RFP and any exhibits, attachments and amendments. It is the Consultant's responsibility to ensure that all requirements of contract addendum are included in their submittal. This RFP does not commit the City of Davis to sign an agreement, award a contract, or to pay any costs incurred in the preparation of a response to this RFP. All documents, conversations, correspondence, etc. with the City are subject to the laws and regulations that govern the City. All Proposals submitted in response to this RFP become the property of the City and public records, and as such may be subject to public review.

The City reserves the right to reject any or all proposals and the right to waive minor irregularities in any proposals. Waiver of one irregularity does not constitute waiver of any other irregularities.

Because this proposal is negotiable, all pricing data will remain confidential until after an award is made, and there will be no public opening and reading of proposals.

IX. DELIVERABLES REQUIRED OF SELECTED CONSULTANT

The selected Consultant(s) shall enter into a Consulting Services Agreement with the City of Davis and submit the following items within ten (10) days of notice of award:

- A. City of Davis business license; to be maintained throughout length of contract
- B. Copy of Certificate(s) of Insurance and endorsements in compliance with the requirements and naming the City of Davis as an additional insured.
- C. Completed IRS W-9 tax form