

Del Paso Manor Water District Request for Proposal for Professional Auditing Services

GENERAL PROPOSAL INFORMATION

Request for Proposal

Del Paso Manor Water District, hereinafter referred to as “DPMWD”, is soliciting proposals from qualified firms of certified public accountants to audit the District’s financial statements for the fiscal year ending June 30, 2019, with the option at DPMWD’s discretion of auditing its financial statements for each of the four subsequent fiscal years. The audits are to be performed in accordance with the auditing standards generally accepted in the United States of America, the California State Controller’s audit requirements for special districts, Generally Accepted Accounting Principles (GAAP), and the Governmental Accounting Standards Board (GASB) guidelines.

DPMWD reserves the right to modify the anticipated timelines set forth below. There will be no public opening of proposals. DPMWD reserves the right to reject any and all proposals, cancel all or part of this RFP, and waive any minor irregularities and to request additional information from proposing firms. This request for proposals does not obligate DPMWD to award a contract. There is no expressed or implied obligation for the DPMWD to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, send proposal to:

RFP 2019 – Audit Services
Debra Sedwick, General Manager
Del Paso Manor Water District
1817 Maryal Drive Suite 300
Sacramento, CA 95864

Introduction

Del Paso Manor Water District is organized under the California Water Code (Section 30000 et seq.). The Board of Directors is comprised of five members who are elected at large for four-year alternating terms. Every two years, concurrent with the installation of the newly elected board, they select Board officers.

Del Paso Manor Water District serves a portion of the Arden Arcade area within the unincorporated area of Sacramento County. The District occupies approximately 1.3 square miles and has approximately 1800 customers. The District provides potable water to residential, commercial and institutional customers. There is a mixture of flat rate and metered accounts, with the most being flat rate, based on lot size.

Principal Contact

The auditing firm’s principal contact with DPMWD will be:

Debra Sedwick, General Manager
1817 Maryal Drive Ste. 300
Sacramento, CA 95864
(916) 487-0419
Email: debrasedwick@sbcglobal.net

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RFP Timeline

January 14, 2019	Distribution of RFP
February 15, 2019	RFP filing deadline at 4:00PM
March 12-15, 2019	Audit firm interviews (if necessary)
April 8, 2019	DPMWD Board of Directors approval of selection

PROPOSAL SUBMITTAL AND EVALUATION

Proper Completion and Submission of RFP

To be considered, each auditing firm submitting a proposal must provide by the due date six copies to DPMWD's principal contact shown on page 1. DPMWD reserves the right to reject any or all proposals submitted. **Proposals will be delivered to DPMWD's principal contact.** Late submissions will not be considered.

Rights to Submitted Materials

DPMWD 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 and confirmed in the contract between DPMWD and the firm selected.

Changes to RFP

DPMWD will post any changes to this RFP on the District's website at www.delpasomanorwd.org and notify via email to each firm to whom an RFP has been sent or has requested notification from the District. Such changes become an integral part of the RFP for incorporation into any contract awarded pursuant to the RFP.

Inquiries to RFP

Please first submit any inquiries or clarification concerning the proposal submission via email to DPMWD's principal contact. Answers to inquiries will be returned via email and also posted at www.delpasomanorwd.org for all other interested parties to review.

Evaluation of Proposals

Proposals submitted will be considered by key District personnel and/or appointed committee.

During the evaluation process, DPMWD may, in its sole discretion, request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of DPMWD, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

Award of Contract

DPMWD's selection of an auditing firm will be completed by April 9, 2019. Following notification of the selected firm, it is expected that a contract will be executed between DPMWD and the selected auditing firm by May 7, 2019.

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Term of Engagement

The contract term will be from one to a maximum of five years at DPMWD's discretion. If DPMWD and the selected auditing firm enter into a multi-year services contract, such contract will be subject to annual review and conditional renewal based on auditor performance at the sole discretion of DPMWD.

Subcontracting

If a proposer intends to subcontract any of the work in its proposal, that fact, the name of the proposed subcontracting firm(s), and the work to be performed by each subcontractor must be clearly identified in the proposal.

Insurance

The selected auditing firm will maintain in full force and effect throughout the term of the auditing services contract the following insurance coverage:

- A. Comprehensive General Liability Insurance coverage of not less than \$1,000,000 Combined Single Limit, with coverage at least as broad as ISO CG00 01.
- B. Automotive Liability Insurance coverage of a limit of not less than \$1,000,000 Combined Single Limit with coverage at least as broad as ISO CA00 01 (hired or non-owned).
- C. Workers' Compensation Insurance coverage at the statutory limits, covering its employees used in performance of this Agreement. The auditor also will require any approved sub-contractors that perform auditing services for DPMWD to also provide Workers' Compensation Insurance covering such sub-contractor's employees.
- D. Professional Liability Insurance of a limit of not less than \$1,000,000.
- E. All of the auditing firm's insurance is to be placed with insurers licensed to do business by and in good standing with the California Department of Insurance, with a current A.M. Best's rating of A or better unless otherwise acceptable to DPMWD. All insurance will be endorsed to name DPMWD as an additional insured.
- F. If requested by DPMWD, all proposers will promptly submit to DPMWD evidence of insurance coverage.

SCOPE OF SERVICES

Nature of Services

DPMWD is soliciting the services of qualified firms of certified public accountants to audit DPMWD's respective financial statements for the fiscal year ending June 30, 2019, with the option, at DPMWD's discretion, to renew the contract to audit DPMWD's financial statements for

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each of the four subsequent fiscal years. The audit(s) are to be performed in accordance with the provisions contained in this request for proposals.

DPMWD desires the auditor to express an opinion on the fair presentation of their basic financial statements in conformity with generally accepted accounting principles.

The scope of work relative to this request for proposals shall include the following tasks.

1. Pre-audit conference - A pre-audit conference (teleconference is acceptable) is required to provide a clear understanding of any conditions to be met by District staff and the responsibilities of the auditor, so that the audit can be conducted on a timely basis and concluded in accordance with predetermined schedules.

2. Financial Statements – An independent audit report on the financial statements conducted in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. An independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements. This includes comparative balance sheets on the combined and individual funds at the end of the current and preceding year, with supporting notes and schedules that provide details of or explain changes in account balances; comparative statements of income and expense for the current and preceding year with supporting notes and schedules that provide details of income statement accounts; statement of retained earnings explaining changes in the unappropriated retained earnings account from the beginning to the end of the current year; and reconciliation of net income.

3. Annual Report of Financial Transactions of Special District - Auditor shall prepare the annual report to the State Controller pursuant to Government Code Section 26909. This report shall be completed and on file with the State Controller within ninety (90) calendar days of year-end (June 30). Auditor shall submit to the District a copy of the annual report prior to transmittal to the State Controller.

4. Opinion Letter - An opinion letter is required attesting to the fair presentation of the financial statements in conformity with generally accepted governmental accounting principles.

5. Management Letter - The auditor shall prepare a separate management letter on the internal control structure based upon the auditor’s understanding of the control structure and assessment of control risk. This report shall be submitted to District and shall outline the auditor observations and recommendations for enhancement or improvement, and include any reportable conditions found during the audit. In the required report(s) on compliance and internal controls, the auditor shall communicate any deficiency, material weakness or significant deficiencies found during the audit. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on compliance and internal controls. The report on compliance and internal controls shall include all material

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instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.

6. Provide the GASB 68 calculations for the audit based on the CalPERS report. Include the supplementary information as required for the audit document.

7. Auditor Review of Capital Asset Valuation Report by Third Party and Restatement of Capital Assets in conformity to GAAP with approved valuation method - The primary purpose of this objective is to create an asset valuation for entity wide and fund reporting consistent with generally accepted accounting principles (GAAP) that is adequate to support an unmodified audit opinion, supported, where appropriate, by a physical inventory of assets. An important aspect of the objective will be capital asset values reported at a level of detail adequate to update the District's fixed asset detail system and support journal entries to the general ledger.

8. Board of Directors Meeting - The auditor shall present, in person, a summary of the final comprehensive financial report at a Board of Directors Meeting, no later than the October 2019 regularly scheduled meeting.

9. Exit Conference - An "exit" conference is required with District Staff. The "exit" conference shall disclose any facts or situations that the auditor feels have, or have had, a bearing on their work or report.

10. Final Audit Report - Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue, two weeks prior to the above Board meeting(s) one PDF file and six (6) copies of the audit, including: the opinion letter, the final comprehensive financial report, and the final management letter shall be submitted to the District

Anticipated Audit Timeline

Mid-September 2019	Draft financial statements and management letter
October 7, 2019	Present audit report and management letter comments to DPMWD Board of Directors

Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report to the DPMWD Board of Directors of all irregularities and illegal acts or indications of illegal acts of which they become aware.

Reporting to the Board of Directors

Auditors shall assure themselves that the DPMWD's Board of Directors are informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards;
2. Significant accounting policies;
3. Management judgments and accounting estimates;
4. Significant audit adjustments;

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5. Other information in documents containing audited financial statements;
6. Disagreements with management;
7. Management consultation with other accountants;
8. Major issues discussed with management prior to retention; and
9. Difficulties encountered in performing the audit.

Pension Plans and Other Post-Employment Benefits

DPMWD participates in the California Public Employee Retirement System (CalPERS), which is a defined benefit pension plan. Actuarial services for these plans are provided by CalPERS. Additionally, DPMWD offers its employees a Deferred Compensation Plan administered by CalPERS and/or Voya. DPMWD does not contribute to the Deferred Compensation Plans on behalf of its employees.

DPMWD hires an actuary to determine the cost of other post-employment benefits (OPEB). DPMWD places OPEB funds into a trust account with California Employers' Retiree Benefits Trust (CERBT) managed by CalPERS. Contributions are paid each year to keep unfunded liabilities to a minimum. Funding amount is based on upon approved budget and available resources. The retiree health benefit payments are reimbursed from the CERBT.

Availability of Prior Audit Reports and Working Papers

Interested firms who wish to review prior years' audit reports and management letters should contact DPMWD's principal contact. DPMWD will use its best efforts to make prior DPMWD audit reports and supporting working papers available to firms to aid their response to this request for proposals.

PROPOSAL REQUIREMENTS

Proposal Requirements

In order to facilitate the comparison of proposals from competing firms and to assist the evaluation team with the review process, proposing firms are requested to organize their proposals in accordance with the following instructions.

Title Page

State the RFP subject, name of the audit firm, local address, telephone number of the proposer's chief contact person, and the date of the proposal.

Table of Contents

The table of contents of the proposal should include a clear and complete identification of the materials submitted by section and page number.

Profile of Proposing Firm

Include staffing size of your firm and your firm's client base (i.e. local, regional, statewide, etc.) and the location of the office from which the work will be done and the staffing allocation for that

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office. Include a statement as to the firm's capability to conduct audits of governmental entities, including an affirmation that the proposing firm and its agents are properly licensed for practice as Certified Public Accountants. It is expected that the firm's staff will meet the Continuing Education Requirements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions published by the U.S. General Accounting Office.

Independence

The firm should provide an affirmative statement that it is independent of DPMWD as defined by generally accepted auditing standards ("GAAS"). The firm should disclose whether it has any audit relationships with DPMWD, including the staff and Board members.

Partner, Supervisory and Staff Qualifications and Experience

Identify staff, including engagement partners, managers, supervisors and specialists, who would be assigned to the engagement. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit. Include an affirmative statement that the firm and all assigned key professional staff are properly registered/licensed to practice in California.

Work Plan and Schedule

Outline a work plan to accomplish the proposed scope of work to demonstrate how the time requirements for the audit will be met. The work plan should include time estimates for each significant segment of the work to be performed and a description of the expected assistance from DPMWD. The work plan should also identify and describe any anticipated potential audit problems and the firm's approach to resolving these problems. In addition, the work plan should indicate if the proposer is willing to enter into a single year or a multi-year engagement of no more than five consecutive years.

Similar Engagements

List a maximum of five similar recent engagements performed. Indicate the scope of work, date, engagement partner(s), total hours, and the name and telephone number of the principal client contact.

Peer Review Results

Please provide a copy of the audit firms most recent peer review results. You may include any additional information that addresses any peer review findings.

Cost Proposal

The cost to provide the auditing services should be included in the proposal with detail of the hours and rates to be charged:

- 1) Total hours and a not-to-exceed price for the engagement, including out-of-pocket expenses. If the proposer seeks a multi-year contract, the not-to-exceed price should be included for each of the years 2019 through 2023.
- 2) Rates by partner, supervisor, and staff with hours anticipated for each.
- 3) Out-of-pocket expenses.

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- 4) Rates for additional professional services, should the need arise.

Progress payments will be made on the basis of hours of work completed during the course of the work and out-of-pocket expenses incurred in accordance with the firm's dollar cost under terms to be agreed to in a contract to be executed between the selected auditor and DPMWD. DPMWD will retain 10% of the amount of each billing pending delivery of the firm's final report. All sums retained will be paid after delivery of the final report.

SELECTION CRITERIA

DPMWD staff and/or committee will review proposals and recommend selection of a single firm to the DPMWD Boards of Directors based on the following criteria, which will be assigned point values up to the total amounts indicated: knowledge/experience (30 points), ability to meet DPMWD needs (20 points), and project cost (50 points). There is a maximum possible score of 100 points.