

# **Request for Proposal for Audit**

## **Request for Proposal**

Solano County Water Agency (hereinafter called the “Agency”) invites qualified auditors having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specification outlined in this Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for the Solano County Water Agency to reimburse firms for any expenses incurred in preparing proposals in response to this request.

## **Requirements**

The audit will encompass a financial examination of the Agency’s basic financial statements and supplementary information in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. The financial audit opinion will cover the financial statements for the governmental activities and each major fund which constitutes the basic financial statements. The combining and individual financial statements, schedules and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the financial statements taken as a whole. An opinion will not be given on the Management Discussion and Analysis.

The working papers shall be retained and made available upon request for no less than five years from the date of the audit report.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the General Manager.

## Scope of Examination

- a.) The audit shall cover two fiscal years ending June 30, 2010 and 2011, with an option to renew another year.
- b.) Agency management prefers to voluntarily change its accounting method from full accrual to modified accrual and its basic financial statements from enterprise fund reporting to governmental fund reporting. The audit shall include implementation of SFAS No. 154 – Accounting Changes including an audit of the adjustment to retrospectively apply the change in accounting principle to prior period financial statements, the restatement of prior period financial statements issued for comparative purposes and disclosure in the footnotes.
- c.) Implementation of disclosure for GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.
- d.) We anticipate our financial records will be closed and ready for audit by August 1 of each year. The books of account and financial records to be audited are maintained and located at the Agency administrative office located at 6040 Vaca Station Road, Elmira, CA 95625. The Administrative Services Manager or designate shall make these books and records available.
- e.) The report package includes:
  - 1. Basic Financial Statements (including all applicable footnotes)
  - 2. Footnotes on Summary of Significant Accounting Policies
  - 3. Auditor’s opinion on the financial statements and required supplementary schedules
  - 4. Report on Compliance and on Internal Control Over Financial Reporting based on an audit of financial statements performed in accordance with Government Auditing Standards (GAS) and/or Generally Accepted Auditing Standards (GAAS).
  - 5. Required Supplementary Information
  - 6. Schedule of Findings and Recommendations
  - 7. Status of Prior Year Findings and Recommendations
  - 8. Management Discussion and Analysis
  - 9. Required Communications to the Board of Directors
- f.) The audit includes preparing and electronically submitting the Special Districts Financial Transaction Report to be filed with the State Controller’s Office within 110 days after the end of the fiscal year.
- g.) Approximately 20 copies of the audited financial reports must be presented to the Agency. All reports will also be provided in electronic format to the Agency.
- h.) The auditor will be expected to attend a full board meeting with the Board of Directors to present the audit report and review the required communications.

## Justification for a Change in Accounting Principle

Management prefers to voluntarily change to governmental fund type reporting and the modified accrual basis of accounting because it enables the Agency to better communicate the results of its operations to stakeholders. Management is concerned that reporting tax supported water purchases as fee based enterprise activity incorrectly implies to stakeholders that typical rate administration procedures occur.

Management realizes that consistent application of accounting principles between reporting periods enhances the value of financial reporting and that changes in principles should be rare events that occur only when the facts and circumstances warrant a preferable principle and that these changes should not be used as a basis for altering financial presentations on a whim. The Agency has been reporting its activities as an enterprise fund since its separation from the County of Solano financial administration in 1989. The auditors for the fiscal years ending June 30, 2008 and 2009 have recommended a change to governmental fund reporting for the Agency's water conservation and flood control activities and management prefers this change for the Agency's wholesale water activities too. Management of the Agency expects to be primarily tax supported indefinitely and does not anticipate a voluntary accounting principle change in the foreseeable future.

## Time Requirements

### A. Proposal Schedule

Release of RFP to vendors	March 31, 2010
<b>Proposal Due Date</b>	<b>April 22, 2010</b>
Interviews with Selected Proposers	week of April 26, 2010
Board Recommendation	May 13, 2010
Contract awarded by the Agency	May 13, 2010

### B. Audit Schedule

Preliminary Field Work	June 15, 2010
Mail Confirmation Letters	July 15, 2010
Trial Balances Completed by Agency	August 1, 2010
Field Work Start	September 1, 2010
Draft CAFR and Management Letter	October 15, 2010
CAFR presented to Agency Board	November 11, 2010

## **Contractual Arrangements**

As required in the Fee Schedule below, proposers are to state separate, “not to exceed fees” for performing the services described herein for both of the Agency fiscal years ending June 30, 2010 and 2011. By acceptance of the proposal, the Agency will contract with the successful proposer for audit services for the fiscal year ending June 30, 2010. The Agency may, at its exclusive option, contract with the successful proposer for audit services for the subsequent fiscal year.

Audit services performed for the audit period shall be paid by the Agency not more than 45 days following submission of an invoice from the auditor which shall state the hours worked by each staff member assigned to the audit and the applicable hourly billing rate. In no event, however, shall fees paid by the Agency exceed the “not to exceed” cost proposed in the Fee Schedule below, for provision of all the services described in the successful proposal.

Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the Board of Directors and their approval of the audited financial statements.

In the event of a merger of the audit firm with another firm of certified public accountants or the change of partners to the audit firm, this contract will be transferable to the successor firm with the approval of the Agency. This agreement shall not be assigned or transferred without the written approval of the Agency.

Visit [www.scwa2.com](http://www.scwa2.com) for an example of a contract agreement.

## **Proposal Submission Information**

To secure information which facilitates systematic application of evaluation criteria, vendors are required to submit proposals with the information and in the format described below:

Transmittal letter: Proposals shall be transmitted by a letter which shall include at least the sections listed below and is signed by an authorized agent of the organization.

Fee Schedule: A maximum “not to exceed” fee for providing the services as described in the proposal for each of the two fiscal years ending June 30, 2010 and 2011. A current schedule of hourly billing rates of the personnel who would provide audit services.

Contact Person: The name, address and title of the individual to whom notices regarding this proposal should be sent.

Profile of the Proposer:

- Proposers shall describe the organization and size of organization, whether it is local, regional, national, or international in operations.
- The location of the office from which the work is to be done, and the number of professional staff (by staff level) employed at that office.

- A description of the range of activities performed by the office handling the engagement such as auditing, tax service, management services, etc.

Technical Approach: Proposer shall indicate the technical approach to providing the services required. This should include a rough estimate of hours to be performed by each level of staff during each significant segment of work, including the estimated amount of time the manager and senior staff will be on site.

Qualifications of the Proposer: Proposers shall describe their qualifications, which shall include at least a list of each professional staff member to be assigned to the project, indicating staff levels by type and title. It is expected that each senior and higher level staff assigned would have considerable governmental experience, which should be noted. Any specialized skill, such as a background in public finance, should also be included.

While it is understood that there will be turnover on the audit staff, it is hoped that continuity of staff will be maintained, and will be a consideration when renewing this contract.

References: Provide the name, address, telephone numbers, and contact person of all municipal or local government audit clients for the last two years.

Peer Review: Proposers shall describe the systems of peer review to which proposers are subject, including the nature (internal and/or external) and frequency of reviews. If the evaluations are external, proposers shall furnish copies of the most recent evaluation opinion.

## **Selection Criteria**

Proposers' qualifications to provide the services described in the request for proposal, (as determined by responses to this request and references), shall be a factor in determining the successful proposer.

However, criteria may include, but are not limited to: compliance of proposal with request for proposal, price, ability to do the work, the proposers' character and reputation, quality of other work performed, and any other criteria that the Agency, in its judgment, represents the best and most favorable to the interests of the Agency and the public.

Selected vendors may be invited to oral interviews following an initial evaluation of proposals submitted.

## **Proposal Period and Contract Award**

Each proposal shall be submitted in a sealed envelope marked Solano County Water Agency Audit Proposal not later than April 22, 2010 at 5:00 p.m. to:

Katherine Phillips  
Administrative Services Manager  
Solano County Water Agency  
P.O. Box 349  
Elmira, CA 95625

Or for overnight delivery:

Katherine Phillips  
Administrative Services Manager  
Solano County Water Agency  
6040 Vaca Station Road  
Elmira, CA 95625

Proposals will be opened immediately, late proposals may be returned, unopened, to the proposer.

Proposals submitted in accordance with this request shall be binding upon the proposers if accepted by the Agency not later than 90 days from the date of the proposal.

The Agency reserves the right to accept any proposal that is, in its judgment, the best and most favorable to the interests of the Agency and the public; to reject any or all proposals; to accept and incorporate corrections, clarifications, or modifications following the opening of the proposals when to do so would not, in the Agency's judgment, prejudice the proposal process or create an improper advantage to any proposer; and to waive any irregularities and informalities in the proposal process or in any proposal submitted; provided, however, that the waiver of any prior defects or informality shall not be considered a waiver of any future or similar defects or informalities, and proposers should not rely upon, or anticipate, such waivers in submitting their proposal.

## **Contract**

The successful proposer shall confirm in writing acceptance of the terms of this proposal within 10 days of notification of selection. This conformation may be in the form of the standard Engagement Letter or may be in addition to the standard Engagement Letter. Proposers must specify any proposed modifications to the scope of the engagement in their proposal. The Agency currently anticipates approving a contract for audit services during the Regular board meeting held on May 13, 2010. However, in the event that the proposal is accepted at a later date, the Time Requirements will be revised accordingly.

## **Description of the Government Entity and Its Accounting System**

The Solano County Water Agency was created in 1951 by an act of California Legislature as the “Solano County Flood Control and Water Conservation District.” In 1988 the legislative act was changed to modify the governing board and the name was changed to Solano County Water Agency in 1989. The Agency’s boundaries include all of Solano County and the property for the University of California at Davis in Yolo County. The responsibilities of the Agency fall into two main categories: water supply and flood control. The Agency provides wholesale water services to cities, districts, and state agencies. The Agency also oversees the operations and maintenance of two flood control projects and is involved in countywide flood control planning. For additional information see Solano County Water Agency’s website at [www.scwa2.com](http://www.scwa2.com).

Budgeted revenues including all sources of revenue are estimated at \$24,000,000 for the year ending June 30, 2010.

The Agency maintains four separate funds for its activities. Presently, all these funds are reported as enterprise type funds using the full accrual basis of accounting. The Agency prefers to report these funds as governmental type funds and use the modified accrual basis of accounting as described in the scope of services in this request for proposal.