



RAINBOW MUNICIPAL WATER DISTRICT REQUEST FOR PROPOSALS FOR PROFESSIONAL AUDITING SERVICES

April 2017

Rainbow Municipal Water District, hereinafter referred to as “District”, is soliciting proposals from qualified firms of certified public accountants to audit the District’s financial statements for three (3) fiscal years, starting with fiscal year ending June 30, 2017, ending with the fiscal year June 30, 2019. There will be an additional option of auditing the District’s financial statements for two (2) subsequent fiscal years, those fiscal years ending June 30, 2020 and June 30, 2021. Audits are to be performed in accordance with the California State Controller’s audit requirements for special district Generally Accepted Accounting Principles (GAAP), and Standards and Governmental Accounting Standards Board (GASB) guidelines. There is no expressed or implied obligation from the District to reimburse responding firms for any expense incurred in preparing proposals in response to this request.

INTRODUCTION

Rainbow Municipal Water District was organized on December 20, 1953, under the Municipal Water District Act of 1911 (commencing with section 71000 of the California Water Code). The Board of Directors is composed of five members who are elected by divisions of the District for four-year alternating terms, with the president being elected by the Board from among its members. Advisory Committees composed of residents from all divisions of the District assist the Board in water issues and financial planning. Operation, maintenance, and administration of the system is carried out by a staff of 51 full time employees under the direction of the General Manager, Tom Kennedy.

Rainbow Municipal Water District, comprising a total area of 82 square miles, is in northwestern San Diego County, approximately two hours driving time from Los Angeles and one hour from San Diego. It is approximately 40 miles northeast of downtown San Diego, California and 90 miles southeast of the City of Los Angeles. The District share common boundaries with Riverside County, Camp Pendleton Marine Corps Base, the unincorporated community of Fallbrook and the City of Oceanside. The District boundaries encompass the unincorporated communities of Rainbow and Bonsall, as well as portions of Pala, Fallbrook and Vista.

SCOPE OF WORK

The District desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted governmental 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 - The primary financial statements shall be a Comprehensive Annual Financial Report (CAFR). Any requirements to get the District capable of reporting in CAFR format need to be instructed in advance. 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 audit examination shall evaluate the District's accounting system, internal control structure, methods of processing data and maintaining financial records. This evaluation shall be comprehensive enough in scope to provide for an appropriate report thereon to the District. 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, and include any reportable conditions found during the audit.

6. Single Audit - Auditing procedures employed shall be structured to meet the requirements of a "Single Audit" pursuant to OMB Circular A-128, "Audits of State and Local Governments". The auditor shall prepare any supplemental schedules and/or reports as may be required for "Single Audit" purposes and supply additional certification required by the cognizant Federal agency.

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. Budget & Finance Committee - The Auditor shall present, in person, a draft of the initial comprehensive financial report to the finance committee for review and comments at least two weeks prior to finalizing the audit.

9. Board of Directors Meeting - The auditor shall present, in person, a summary of the final comprehensive financial report at a Board of Directors Meeting, date to be mutually agreed upon.

10. 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 - Six (6) copies of the opinion letter and final comprehensive financial report shall be submitted to the District. Six (6) copies of the final management letter shall be submitted to the District.

AUDIT TIMING

Fieldwork shall be done no later than September 15 of each respective year. The auditor will be required to complete and submit the Annual Report of Financial Transactions of Special District prior to deadline date. The auditor will be expected to complete their work with respect to the comprehensive Annual Financial Report in time to furnish the District with their letter of opinion no later than October 31 of each respective year. All other certifications required of the auditors are to be submitted no later than November 30 of each respective year. A draft financial statement shall be submitted to the District no later than November 30 of each respective year. Should the District exercise the option for the selected auditor to perform subsequent work, the aforementioned time schedule shall be applicable. The failure of the auditor to strictly adhere to the schedule may result in the assessment of damages against auditor for delay. Notwithstanding the foregoing, auditor shall not be responsible for delays which are due to cause beyond auditor's reasonable control.

PROPOSAL CONTENT

Proposals submitted pursuant to this request must contain the following information:

1. Proposals shall include a signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the specified time, a statement why the firm believes itself to be the best qualified to perform the engagement and a statement that the proposal is a final and irrevocable offer for a period of sixty (60) calendar days from the submitted date.
2. Proposals shall provide information on 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.
3. Proposals shall provide a list of similar engagements with other governmental entities performed in the last five (5) years, as well as any other related experience.
4. Proposals shall provide a minimum of three (3) references that may be contacted regarding the firm's capabilities. References shall include the audited firm's name, contact individual name, current telephone number, and type and dates of services rendered.
5. Proposals shall identify the principal supervisory and management staff. Identification of staff capacity shall include the resumes of key personnel who will be assigned to the engagement.
6. Proposals shall include a specific time frame to complete the various phases of the audit.

7. Proposals shall include a listing of services, data, schedules, and information to be furnished by the District.

8. Proposals shall include projected personnel hours required to complete the audit along with hourly billing rates of the various levels of staff who will be assigned to the audit.

9. Proposals shall include a total all-inclusive maximum fee to be charged for audit services for each individual fiscal year ending June 30, 2017, June 30, 2018 and June 30, 2019. The maximum fees shall include all direct and indirect costs, including such items as travel and out-of-pocket expenses.

10. Proposals shall include a separate total all-inclusive maximum fee to be charged each year based upon the exercise of an option to extend the agreement for two (2) additional fiscal years those years ending June 30, 2019 and June 30, 2020. The maximum fee for these two (2) additional option years shall include all direct and indirect cost, including such items as travel and out-of-pocket expenses.

EVALUATION OF PROPOSALS

Proposals submitted which conform to the requirements of this Request for Proposal will be evaluated based upon the following criteria:

1. The firm's past experience and performance on comparable government engagements
2. The quality of the firm's professional personnel to be assigned to the engagement
3. Planning of the examination
4. Availability of qualified staff
5. Adherence to instructions in this request for proposals

Since this engagement will be through a Professional Services Agreement, the selection process will not be based on fees – this is not a low bid contract. Firms will be evaluated on their technical merits. The fee schedule provided by the selected firm will serve as the basis for commercial contract negotiations. It is anticipated that commercial contract negotiations with the firm deemed most highly qualified by the District as a result of this process by May 26, 2017.

SUBMISSION OF PROPOSALS

Three (3) hard copies and a pdf (email, thumb drive or CD/DVD) of the proposal must be submitted before 5:00 p.m. (PDT), Friday, May 12, 2017. Proposals shall be sealed and submitted to the following address:

Auditor Proposal
Vanessa Martinez, Finance Manager
Rainbow Municipal Water District
3707 Old Highway 395, Fallbrook CA 92803

The District reserves the right to reject any or all proposals if they are deemed by the District to be unacceptable for any reason. If you have any questions regarding this matter, please do not hesitate to email me at vmartinez@rainbowmwd.com.