



February 1, 2021

TO: Finance Advisory Committee

FROM: Ron Munds, General Manager

SUBJECT: Agenda Item 5 – 02/01/2021 FAC Meeting
Issuance of a Request for Proposals (RFP) for Audit Services

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DESCRIPTION

At the April 2, 2020 Board meeting, the Board approved a one-year contract with Moss, Levy and Hartzheim LLP to prepare the District's Fiscal Year 2019-20 Financial Audit. It was the desire of the FAC and Board at that time to release an RFP to solicit proposals for auditing services for the next three years beginning with Fiscal Year 2020-21.

STAFF RECOMMENDATION:

Staff recommend that the Finance Advisory Committee adopt the following Motion:

Motion: I move:

- 1. The FAC approve the issuance of the attached RFP for audit services as presented or as amended; and***
- 2. Select the FAC members to participate on the consultant selection working group.***

DISCUSSION

As recommended by the FAC, at the April 2, 2020 Board meeting, the Board approved a one-year contract with Moss, Levy and Hartzheim LLP to prepare the District's Fiscal Year 2019-20 Financial Audit. It was the desire of the FAC and Board at that time to release a RFP to solicit proposals for auditing services for the next three years beginning with Fiscal Year 2020-21.

Attached to this report is the draft RFP which was prepared by District staff with input from the District's contract account. Staff is requesting that the FAC review the draft RFP and make any recommended changes/edits before the release.

RFP Review Working Group

Staff is recommending forming a working group to review the submitted proposals and it be comprised of four members: The General Manager, District Accountant and two members from the FAC. This group will have one meeting to discuss the proposals in order to prepare a recommendation to the FAC. The FAC will then discuss the working group's recommendation at their May 3, 2021 meeting and finalize a recommendation to the Board.

Attachment

Draft Auditing Services RFP

LOS OSOS COMMUNITY SERVICES DISTRICT

REQUEST FOR PROPOSAL

No. A2021-01

FOR AUDIT SERVICES

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SECTION A

STATEMENT OF WORK

OVERVIEW

The Los Osos Community Services District (LOCSO) is seeking the services of Certified Public Accountants (FIRM) to perform annual financial and compliance audits of LOCSO's Comprehensive Annual Financial Report in accordance with generally accepted auditing standards for purposes of rendering an opinion as to the fairness of presentation of these statements.

The contract to be awarded will cover a three fiscal year period commencing with the 2020-21 fiscal year and concluding with the fiscal year ending June 30, 2023. LOCSO will have the option to extend the contract for another two years.

AUDIT REPORTS OF LOCSO:

LOCSO'S audited financial statements for two prior fiscal years, 2019/2020 and 2018/2019, can be viewed on the District website at www.lososocsd.org.

A. TASKS OF LOCSO STAFF AND CLARIFYING RESPONSIBILITIES

The following tasks are not going to be performed by the FIRM:

1. There will be no audit as per the Single audit of 1984 as amended in 1996 and as per provisions of U.S. Office of Management and budget (OMB) Circular A-133.

LOCSO does not normally receive federal grants that have amounts that will mandate this type of audit. Should there be a need for such an audit, the additional costs will be negotiated in accordance with the fees stated in the response to this proposal.

2. LOCSO staff will provide the FIRM a Trial Balance and Detailed General Ledger for each fund as well as any requested audit trail items.
3. LOCSO staff will perform tasks and provide schedules that are considered standard in assisting the FIRM in the performance of its tasks.

B. THE FIRM WILL PERFORM THE FOLLOWING TASKS:

TASK 1

Conduct three (3) consecutive yearly audits of the financial statements of LOCSO, starting with fiscal year 2020-21 and ending with fiscal year 2022-23 in accordance with generally accepted auditing standards for the purposes of expressing an opinion on the conformity of the financial statements with generally accepted accounting principles.

The audit shall be conducted following audit standards prescribed by the following bodies of authority, but not necessarily limited to:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
2. The standards for financial audits set forth in the U.S.General Accounting Office's *Government Auditing Standards (2007)*;
3. Minimum audit requirements and reporting guidelines for Special Districts, pursuant to California Code of Regulations, State Controller, Subchapter 5, 1131.2 " Minimum Audit Requirements and Reporting Guidelines for Special Districts".

TASK 2

Render a report on compliance and internal control over financial reporting based on an audit of the financial statements.

A written report should be issued immediately to management upon the discovery of illegal acts or major irregularities discovered during the performance of this task.

TASK 3

Issue a management letter for conditions or weaknesses, if any, in the internal control structure that are not reportable under TASK 3 because they are not considered significant deficiencies.

TASK 4

Provide Draft Audited Financial Statements to the District in December. Report preparation, editing and printing shall be the responsibility of the auditor.

TASK 5

Prepare the annual Financial Transactions Report and file with the State Controller.

PERIOD OF PERFORMANCE

The audit field work is expected to begin in the third or fourth week of September each year. Under normal conditions, the books should be closed by the end of August. Scheduling and arrangements will be coordinated with the District's Accountant and General Manager in July of each year.

Draft reports resulting from the tasks as listed in the preceding section should be available for review by the District's Finance Advisory Committee at their meeting in November/December (meeting date dependent on the date of the Board meeting in December) each year unless arranged otherwise. Final reports are presented to the Board of Directors in January. The final reports in pdf format should be available for the board meeting agenda a week before the Board meeting. The FIRM will present the report in person to the Finance Advisory Committee and in an open session of the Board of Directors.

The audit contract is expected to be approved by the Board in their regular meeting on May 6, 2021.

SECTION B

PROPOSAL SUBMITTAL AND SELECTION

1. SCHEDULE OF EVENTS (If for any reason, the award date is delayed, proposers will be notified as soon as the delay is known)

| | <u>Date</u> |
|-----------------|----------------|
| Proposal due: | March 30, 2021 |
| Contract award: | May 6, 2021 |

2. PERSONNEL ASSIGNMENT AND RE-ASSIGNMENT

- a. Resumes of all individuals to be assigned to the project must be provided.
- b. A project manager will be assigned as the individual responsible for the overall performance of any resulting contract and will be directly responsible for responding to the District General Manager and or District Accountant at all times during the term of this contract.
- c. No reassignments of personnel will be allowed without full resume submittal, justification therefore, and approval by the Contract Administrator (CA).

3. SUBMISSION OF PROPOSALS, NATURE AND ACKNOWLEDGEMENT

WHERE TO SEND PROPOSALS, MAIL TO:

Los Osos Community Services District
ATTN: Ron Munds, General Manager
2122 9th Street, Suite 110
Los Osos, CA 93402

NATURE OF A PROPOSAL

This Request for Proposal does not commit the District to award nor does it constitute an offer of employment or to contract for services. Costs incurred in the submission of this proposal, or in making necessary studies or designs for the preparation thereof, are the responsibility of the proposers. Further, no reimbursable cost may be incurred in anticipation of award. Proposals containing elaborate artwork, expensive paper and binding and expensive visual or other presentations are neither necessary nor desired.

ACKNOWLEDGEMENT OF RECEIPT OF PROPOSALS

If acknowledgement of the receipt of a proposal is desired, please send your request via e-mail to 'rmunds@losososcsd.org'. The request needs to specify the name and the e-mail address where the acknowledgement will be sent to.

4. LATE PROPOSALS, MODIFICATIONS OF PROPOSALS AND WITHDRAWALS OF PROPOSALS

- a. Any proposal received by the District after the exact time specified for receipt will not be considered.
- b. A proposer may withdraw their proposal at any time prior to the scheduled time for receipt of proposals either personally, by written request, or by fax. The District's fax number is (805) 528-9377.

5. PRICING OF PROPOSALS

All prices and notations must be in ink or typewritten. No erasures are permitted. Mistakes may be crossed out and corrected but must be initialed in ink by the person signing the proposal.

All proposals shall remain firm for 120 days from the closing date for receipt of proposals.

In the event of a conflict between hourly rates and proposer's extended costs, the hourly rate will prevail unless the hourly rate is so obviously unreasonable as to indicate an error.

6. SIGNATURE

All proposals must be signed with the FIRM name and by an authorized officer or employee. Obligations assumed by such signature must be fulfilled.

7. SAMPLES/PROPRIETARY INFORMATION

All proposals become the property of LOCSD. If any proprietary information is contained in or attached to the written proposal, it must be clearly identified.

8. CERTIFICATE OF INDEPENDENT PRICE DETERMINATIONS

By submission of a proposal, each proposer certifies, or, in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this procurement:

- a. The prices in this proposal have been arrived at independently, without consultation, communication, or agreement with any other proposer; with any competitor; or with any District employees or consultants for the purpose of restricting competition on any matter relating to this proposal.
- b. Unless otherwise required by law, the prices which have been quoted in this proposal have not been knowingly disclosed by the proposer and will not knowingly be disclosed by the proposer prior to award directly or indirectly to any other proposer or to any competitor; and

- c. No attempt has been made or will be made by the proposer to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

9. NUMBER OF PROPOSALS

Each proposer shall submit an original and five copies of both the Technical Proposal and the Cost Proposal.

10. ORGANIZATION OF PROPOSALS

Each proposal volume must begin with a complete table of contents showing page numbers. All pages in the volume shall be numbered consecutively. Responses and/or recommendations should be concise and to the point, with references to supporting technical material, where applicable.

PROPOSALS SHALL BE SUBMITTED IN ONE VOLUME WITH TWO SECTIONS, TECHNICAL AND COST, IN A FORMAT WHICH CONFORMS TO THE FOLLOWING:

A. Technical Proposal

1. Introduction

Proposal will state the proposer's understanding of the requirements to be accomplished in the audit. Proposal will state the firm's general experience, capabilities and approach or approaches generally used in audits similar to the one addressed by this recruitment. The proposer must demonstrate in the proposal a clear understanding of the nature and scope of the work to be performed under the contract and its relation to the District's needs.

2. Experience and Support

The proposer must demonstrate through experience of the company and/or through personnel employed by the company, a comprehensive knowledge of the fiscal audit services required by the District.

3. Management Plan

A brief organizational management plan is required. The organizational plan must indicate the controls for effectuating timely response and cost effectiveness, and must include proposed lines of responsibility, authority, and communication between project staff, District and parent organization.

4. Personnel Qualifications

Provide resumes for the key management and professional personnel. Resumes of personnel included with the proposal must clearly indicate a professional skill commensurate with the technical requirements, and provide information on Single Audit experience (in Fiscal Year 2019-20), Single Audit is not a task under this contract but it could possibly be one in any of the subsequent years), education and knowledge of services similar to the District's key services. If resumes are submitted on personnel not currently employed by the proposer, then a statement that this person will accept employment if the contract is awarded to the proposer must be provided from that person.

5. List of Projects of Similar Size and Scope

Proposers shall submit a description of their capabilities in audit programs of this nature by covering the last five (5) year period (i.e., greater period of experience as appropriate). This may be evidenced by submission of a list of contracts for similar services completed, or underway, including the name(s) of the agency, point(s) of contact, and the total hours of each such contract, including a brief synopsis of each similar project.

6. References

Please list title, name, address, area code and telephone number for at least three (3) references of projects as similar to this one as are available. Indicate the title of the project performed for each of these references and the year in which each was performed. If no previous work was similar, list three (3) references who can attest to your competencies.

7. Additional Data

Since the preceding sections are to contain only data that is specifically requested, any additional information considered essential to the proposal should be included in this section. The proposer's general information publications, such as directories or client lists, should not be included unless specifically requested.

If there is no additional information to present, state, "There is no additional information we wish to present".

B. Cost Proposal

1. A schedule of hourly rates, task time estimates and total charges must be completed on Attachment A.
2. Travel and living expenses are to be combined into a single amount under "Other Expenses".

3. Proposals shall contain provisions to the effect that, in the event disclosures in the audit indicate extraordinary circumstances which warrant more intensive and detailed services, the FIRM shall provide all pertinent facts relative to the extraordinary circumstances together with the firm's estimate of the cost of additional services to the District.

11. EVALUATION AND AWARD

- A. The contract will be awarded to, in the District's opinion, the most responsive and responsible proposer whose offer conforms to the solicitation.
- B. The District reserves the right to reject any or all proposals, to waive informalities and minor irregularities in the proposals received, to discuss proposal details with respondents, and to accept other than the lowest bid proposal.

12. EVALUATION FACTORS

The following factors may be considered in the evaluation of the technical proposal. The proposal should clearly and in sufficient detail give information to enable evaluation based on these factors.

- A. Personnel Qualifications/Technical Resources
 1. The experience and educational background of the proposed professionals, and the extent to which these professionals are "in-house" employees.
 2. Availability of technical resources.
 3. Business history specifically identifying the length of time and positions held by the proposed principals and the resources available.
- B. Approach and Methodology

Under this factor, consideration is given to the proposer's organizational structure as set forth in the following criteria:

 1. Lines of management authority within the FIRM, most importantly, the project manager's access to top management and the FIRM's ability to respond rapidly to District's requirements.
 2. Understanding of District government and audit requirements.
 3. Proposal approach and scope of work.
- C. Fees for Service
 1. How well the fees relate to the services proposed.

13. SELECTION PROCESS

- A. A Selection Committee will be used to evaluate each proposal.
- B. Selection will be made on the basis of the proposals as submitted. The Selection Committee may deem it necessary to interview applicants. The District retains the right to interview applicants as part of the selection process.
- C. The proceedings of the Selection Committee are confidential. Members of the Selection Committee are not to be contacted by the proposers. All communication between proposer and the District shall be through contact person identified on the cover letter.

SECTION C

INSURANCE REQUIREMENTS

Contractor, at its sole cost and expense, shall purchase and maintain the insurance policies set forth below on all of its operations under this Agreement. Such policies shall be maintained for the full term of this Agreement and the related warranty period (if applicable) and shall provide products/completed operations coverage for four (4) years following completion of Contractor's work under this Agreement and acceptance by the District. Any failure to comply with reporting provisions(s) of the policies referred to above shall not affect coverage provided to the District, its officers, employees, volunteers and agents. For purposes of the insurance policies required hereunder, the term "District" shall include officers, employees, volunteers and agents of the Los Osos Community Services District, Los Osos, California, individually or collectively.

1. MINIMUM SCOPE AND LIMITS OF REQUIRED INSURANCE POLICIES

The following policies shall be maintained with insurers authorized to do business in the State of California and shall be issued under forms of policies satisfactory to the District.

a. COMMERCIAL GENERAL LIABILITY INSURANCE POLICY ("CGL")

Policy shall include coverage at least as broad as set forth in Insurance Services Office (herein "ISO") Commercial General Liability coverage. (Occurrence Form CG 0001) with policy limits not less than the following:

\$1,000,000 each occurrence (combined single limit);
\$1,000,000 for personal injury liability;
\$1,000,000 aggregate for products-completed operations; and
\$1,000,000 general aggregate.

The general aggregate limits shall apply separately to Contractor's work under this Agreement.

b. BUSINESS AUTOMOBILE LIABILITY POLICY ("BAL")

Policy shall include coverage at least as broad as set forth in Insurance Services Office Business Automobile Liability Coverage, Code 1 "Any Auto" (Form CA 0001). This policy shall include a minimum combined single limit of not less than One-million (\$1,000,000) dollars for each accident, for bodily injury and/or property damage. Such policy shall be applicable to vehicles used in pursuit of any of the activities associated with this Agreement. Contractor shall not provide a Comprehensive Automobile Liability policy which specifically lists scheduled vehicles without the express written consent of the District.

c. WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE POLICY ("WC / EL")

This policy shall include at least the following coverages and policy limits:

1. Workers' Compensation insurance as required by the laws of the laws of the State of California; and
2. Employer's Liability Insurance Coverage B with coverage amount not less than one-million (\$1,000,000) dollars each accident / Bodily Injury (herein "BI"); one-million (\$1,000,000) dollars policy limit BI by disease; and, one-million (\$1,000,000) dollars each employee BI disease.

d. **PROFESSIONAL LIABILITY INSURANCE POLICY ("PL")**

This policy shall cover damages, liabilities, and costs incurred as a result of Contractor's professional errors and omissions or malpractice. This policy shall include a coverage limit of at least One-Million Dollars (\$1,000,000) per claim, including the annual aggregate for all claims (such coverage shall apply during the performance of the services under this Agreement and for two (2) years thereafter with respect to incidents which occur during the performance of this Agreement). Contractor shall notify the District if any annual aggregate is eroded by more than seventy-five percent (75%) in any given year.

2. **DEDUCTIBLES AND SELF-INSURANCE RETENTIONS**

Any deductibles and/or self-insured retentions which apply to any of the insurance policies referred to above shall be declared in writing by Contractor and approved by the District before work is begun pursuant to this Agreement. At the option of the District , Contractor shall either reduce or eliminate such deductibles or self-insured retentions as respect the District , its officers, employees, volunteers and agents, or shall provide a financial guarantee satisfactory to the District guaranteeing payment of losses and related investigations, claim administration, and/or defense expenses.

3. **ENDORSEMENTS**

All of the following clauses and endorsements, or similar provisions, are required to be made a part of insurance policies indicated in parentheses below:

- a. A "Cross Liability", "Severability of Interest" or "Separation of Insureds" clause (CGL & BAL);
- b. The Los Osos CSD, its officers, employees, volunteers and agents are hereby added as additional insureds with respect to all liabilities arising out of Contractor's performance of work under this Agreement (CGL & BAL);
- c. If the insurance policy covers an "accident" basis, it must be changed to "occurrence" (CGL & BAL)
- d. This policy shall be considered primary insurance with respect to any other valid and collectible insurance District may possess, including any self-insured retention District may have, and any other insurance District does possess shall be

considered excess insurance only and shall not be called upon to contribute to this insurance (CGL, BAL, & PL);

- e. No cancellation or non-renewal of this policy, or reduction of coverage afforded under the policy, shall be effective until written notice has been given at least thirty (30) days prior to the effective date of such reduction or cancellation to District at the address set forth below (CGL, BAL, WC /EL & PL);
- f. Contractor and its insurers shall agree to waive all rights of subrogation against the District, its officers, employees, volunteers and agents for any loss arising under this Agreement (CGL); and
- g. Deductibles and self-insured retentions must be declared (All Policies).

4. **ABSENCE OF INSURANCE COVERAGE**

District may direct Contractor to immediately cease all activities with respect to this Agreement if it determines that Contractor fails to carry, in full force and effect, all insurance policies with coverages at or above the limits specified in this Agreement. Any delays or expense caused due to stopping of work and change of insurance shall be considered Contractor's delay and expense. At the District's discretion, under conditions of lapse, the District may purchase appropriate insurance and charge all costs related to such policy to Contractor.

5. **PROOF OF INSURANCE COVERAGE AND COVERAGE VERIFICATION**

Prior to commencement of work under this Agreement, and annually thereafter for the term of this Agreement, Contractor, or each of Contractor's insurance brokers or companies, shall provide District a current copy of a Certificate of Insurance, on an Accord or similar form, which includes complete policy coverage verification, as evidence of the stipulated coverages. All of the insurance companies providing insurance for Contractor shall have, and provide evidence of, a Best Rating Service rate of A VI or above. The Certificate of Insurance and coverage verification and all other notices related to cancellation or non-renewal shall be mailed to:

Los Osos Community Services District
2122 9th Street, Suite 110
Los Osos, CA 93402

ATTACHMENT A

COST PROPOSAL FOR AUDIT OF LOS OSOS CSD

| Staff Member | Hourly Rate | Estimated Hours | Staff Costs | Other Expenses | Total |
|-------------------------|--------------------|------------------------|--------------------|-----------------------|--------------|
| Partner CPA | | | | | |
| Audit Manager | | | | | |
| Senior Staff CPA | | | | | |
| Staff Accountant | | | | | |
| Administrative | | | | | |
| Other | | | | | |
| TOTAL | | | | | |