

SEWER AUTHORITY MID-COASTSIDE

Staff Report

Subject / Title

Authorize Issuance of Request for Proposal (RFP) for SAM Audit for FY 2010-11

Staff Recommendation:

Authorize Issuance of RFP for SAM Audit for FY 2010-11

Fiscal Impact:

\$17K to \$25K

Discussion/Report:

SAM's policy on the maximum length of Contract for Auditing Services, which was approved by the SAM Board in October 2004 states "*the maximum length of a contract for the outside firm performing annual financial statements and related audits is five (5) years. The Board of Directors may grant extensions from time to time.*"*However, under no circumstances shall a contractor provide these services to SAM for a period greater than seven (7) consecutive years.*" A copy of the policy is attached.

Moreland and Associates fulfilled their contract starting with SAM FY 2002/03 audit and has since provided SAM with services through FY 2006/07. In October 2007, the firm was granted with Board approval, the extension time for two additional FY audits (FY 2007/08 and FY 2008/09. During the FY 2007/08, Moreland & Associates was acquired by Macias, Ginni, and O'Connell (MGO) bringing Moreland and Associates', (now MGO) tenure with SAM to a total of seven (7) consecutive years.

At this time, is requesting Board authorization to issue the attached RFP.

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SEWER AUTHORITY MID-COASTSIDE
Financial Policy

Maximum Length of Contract for Auditing Services

Purpose

To direct staff as to the maximum length of contracts for outside auditor services.

Policy/Guidelines

The maximum length of a contract for the outside firm performing annual financial statements and related audits is five (5) years. The Board of Directors may grant extensions from time to time.

A firm completing the contract for such services may be eligible for consideration during the selection process for one additional contract period. However, under no circumstance shall a contractor provide these services to the Sewer Authority Mid-Coastside for a period greater than 7 consecutive years.

Approved on: October 25, 2004

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January 21, 2010

Ladies and Gentlemen:

The Sewer Authority Mid-Coastside (SAM) is accepting proposals from accounting firms interested in providing auditing services for the fiscal year July 1, 2009 through June 30, 2010. The firms being solicited include local firms listed in the California Society of CPAs' Peer Review Program with a practice area in the field of Government, as well as certain other selected firms.

If you are interested, the enclosed Request for Proposal contains information concerning the Agency and the requirements for any proposal your firm may wish to submit.

If you have any questions, please call me at the above number.

Sincerely,

SEWER AUTHORITY MID-COASTSIDE

John F. Foley, III
Manager

Enclosure

**SEWER AUTHORITY MID-COASTSIDE
REQUEST FOR PROPOSAL
FOR
FINANCIAL AUDIT WORK**

PART I – INTRODUCTION

The Sewer Authority Mid-Coastside (SAM) is a Joint Powers Agency formed by the City of Half Moon Bay, Granada Sanitary District, and Montara Sanitary District. SAM provides wastewater conveyance, treatment, and disposal services to its member agencies, serving a population of approximately 25,000. SAM's annual budget of approximately \$4.35 million is funded by member agency payments.

The Agreement pursuant to which SAM was created requires an annual audit of the accounts and records of SAM by a certified public accountant or public accountant. The minimum requirements for the audit are those prescribed by the State Controller for special districts under Section 26909 of the Government Code and shall conform to generally accepted auditing standards.

As defined by the Governmental Accounting Standards Board, the Sewer Authority Mid-Coastside is a proprietary entity and, accordingly, the financial statements are presented in a proprietary format using the accrual basis of accounting.

PART II – NATURE OF SERVICES REQUIRED

A. General

The Sewer Authority is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements as follows:

The Audit will require an examination of the SAM financial statements for fiscal year of July 1, 2009 through June 30, 2010.

The financial reports issued by SAM must be audited in accordance with generally accepted auditing standards which involves obtaining an understanding of the internal control and the controls procedures established by SAM. Tests of the accounting records as considered necessary should be performed.

The audit shall be conducted in accordance with generally accepted auditing standards set forth for financial audit in the U.S. General Accounting Office's (GAO) Government Auditing Standards (1994), the provisions of the Federal Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-128, Audits of State and local Governments.

The auditor shall include as a component of the proposal a separate cost for the preparation and transmittal of the Annual Report of Financial Transactions to the State Controller for the year.

A Management Letter shall be prepared which will include findings, statements, observations, opinions, comments, or recommendations with regard to:

- a. systems of internal control
- b. accounting systems
- c. significant accounting policies

Since SAM will not receive federal grant monies in the fiscal year to be audited, there will be no need to prepare a "single audit" report for submission to the State Controller's Office.

Prior to submission of the completed report, the selected auditors will be required to review a draft of the fiscal audit report and management letter with the Manager and Supervisor of Admin Svcs of the Sewer Authority Mid-Coastside.

The audit will commence on Monday, August 24, 2010 after the award of the contract.

The fiscal year 2009-2010 audited financial statement, completed audit report, management letter, state controller's report, CAFR are to be delivered no later than Friday, October 15, 2010.

Six copies of the RFP must be submitted to the Manager (see mailing address below).

RFPs will be accepted no later than 4:00 p.m. February 23, 2010. All proposals will remain firm for sixty days following this date.

All responses to this RFP shall become the property of SAM. SAM will treat all responses as confidential and will disclose the information only if requested to do so by the public.

SAM reserves the right to reject any and all proposals.

All proposals will be evaluated following the criteria listed in Part II, Section B of this RFP. Proposing firms may also be requested to make an oral presentation.

Following selection and successful negotiations, the negotiated contract will be presented to the SAM Board for approval. If a mutually acceptable contract cannot be negotiated between SAM and the initially selected firm(s), SAM reserves the right to select another firm and commence negotiations.

Progress payments based on percentage of work or hours completed will be provided for in the audit contract. SAM reserves the right to withhold a portion of the fee until all required reports are delivered.

All costs for proposal preparation shall be borne by the proposing firm.

Additional information required to respond to this RFP shall be obtained from Jeannette L. Tracy, Supv of Admin Svcs, at the SAM office (650) 726-0124.

B. Proposed Evaluation Criteria

All finalized proposals submitted by the RFP deadline will be evaluated based on the following criteria.

Intention and ability of the firm to fully respond to all requirements set forth in this RFP.

Qualifications and experience of all firms' personnel, including key management and supervisory individuals who will participate in the audit.

Ability to provide continuity in the audit team, especially senior level staff possessing over three year's experience.

Number of previous public sector audits of organizations of comparable size and equivalent complexity.

Proposed total audit cost.

PART III – PROPOSAL CONTENT

Title Page

The title page will show the firm's name, local address, telephone number, and the name of a contact person.

Letter of Introduction

This letter must summarize exactly what the proposal is, and state a positive commitment to perform the audit and deliver the reports in the required time period for a proposed amount. The firm's name and a statement as to whether the firm is a partnership or corporation must also be included. The letter must be signed by the individual, partner, or officer of the corporation legally authorized to bind the firm. Also to be provided is the name, address and phone number of the person or persons authorized to make representations on behalf of the firm.

Table of Contents

A comprehensive table of contents must be included in the proposal. This table will include a summary definition of the material, identified by sequential page number and section reference.

Section a) Audit Scope and Work Plan

The proposal will state a plan (including scope, depth of work, and time estimation) for examining the required financial statements and issuing the required reports.

Also to be included is a list and “pro forma” examples of all reports including management letters to be issued with points to be covered and estimated completion dates of principal segments of the audit.

Section b) Comparable Audit References

Submit a list of at least three (3) organizations of at least equivalent size and complexity that have had similar audits performed by your firm. Include the organization name, address, contact person, telephone number, period audited, and audit report issue date for each audit.

Section c) Cost Breakdown

This section will contain a full cost breakdown showing the total maximum cost to SAM for the completion of the audit.

Hourly rates and number of estimated hours for each staff classification shall be identified. Fees must include all anticipated costs including travel, per diem and other out-of-pocket expenses.

Section d) Staffing

Include information regarding the firm size, organizational structure, and local/total organization staffing. The resumes of key project staff that will be assigned to this audit are to be provided, which SAM reserves the right to investigate as to accuracy. SAM requires that all designated staff will actually work on the audit unless subsequent employment termination dictates otherwise. In those cases, it is expected that comparably experienced and graded staff will be assigned as replacement and SAM will reserve the right to reject proposed replacements if it judges that experience and grade are not equivalent.

Section e) Acceptance of Pre-award Conditions

The proposal will incorporate a positive statement affirming the firm’s acceptance of the following contract pre-award conditions:

- a. SAM may require whatever evidence is deemed necessary to verify the firm’s qualifications. The firm should submit a copy of the report on its most recent external quality control review, with a statement as to whether that quality control review included a review of specific government engagements.
- b. SAM may request additional information, either in writing or verbally, in order to assure itself that the firm can successfully meet all contract requirements. SAM reserves the right to solely judge the ability of the firm to perform.
- c. SAM will select the firm for further negotiations from among those submitting proposals. Said selection shall be made by a committee on the basis of the evaluation criteria set forth in this Request for Proposal.
- d. SAM reserves the right to cancel this Request for Proposal at anytime prior to contract award without any liability whatsoever.

Section f) Additional Information

Additional information not specifically requested which the firm feels is necessary may only appear in this section. Such information may consist of the following types:

- a. Standard sales brochures and promotional material with minimal technical content.
- b. Generalized narrative of a nonspecific nature.
- c. Pictorial material.

CONCLUSION

Except under extraordinary circumstances beyond reasonable expectations, the fee quoted and accepted will be the maximum fee which SAM will pay for the services provided.

Proposals should be mailed to:

John F. Foley III
Manager
Sewer Authority Mid-Coastside
P.O. Box 3100
Half Moon Bay, CA 94019