



Heritage Ranch Community Services District

4870 Heritage Road, Paso Robles, CA 93446

(805) 227-6230 ~ Fax (805) 227-6231

www.heritageranchcsd.ca.gov

REQUEST FOR PROPOSALS – PROFESSIONAL AUDITING SERVICES

I. INTRODUCTION

The Heritage Ranch Community Services District (HRCSD or District) is requesting proposals from certified public accountant firms to audit its financial statements, in addition to performing other reviews as specified below, for three fiscal years beginning Jul 1, 2020 and ending Jun 30, 2023 with an option of three one-year extensions. The proposal package shall present all-inclusive audit fees for each year of the contract term.

These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget (OMB) Circular A-133 Audits of State and Local Governments and Non-Profit Organizations.

To be considered, three (3) copies of a proposal must be received by **4:00 P.M. on April 24, 2020**. It is anticipated the selection of a firm will be completed by **May 8, 2020**. Following the notification of the selected firm, a recommendation and proposed contract will be prepared for review and approval by the District Board at its **May 21, 2020** meeting.

The District reserves the right to reject any or all proposals, to waive any non-material irregularities or information in any proposal, and to accept or reject any items or combination of items. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt.

II. SCOPE OF THE WORK TO BE PERFORMED

HRCSD desires a Comprehensive Annual Financial Report (CAFR) and its basic financial statements for the District to be prepared by the independent auditor and be fully compliant with all current GASB pronouncements.

The selected independent auditor will be required to provide the following services:

- A. The audit firm will perform an audit of all funds of the District. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States; generally accepted auditing standards as set forth by the American Institute of Certified Public Accounts; and the provisions of U. S. Office of Management and Budget, the Uniform Guidance, and applicable OMB Compliance Supplements, as applicable.

- B. The District's Comprehensive Annual Financial Report (CAFR) will be prepared by the audit firm. The CAFR will be in full compliance with all current GASB pronouncements. The audit firm will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the District.
- C. HRCSD does not anticipate the need for a single audit on the expenditures of federal grants during the contract term. If a single audit becomes necessary, District will amend the contract with the selected auditor for the additional work.
- D. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the General Manager.
- E. The audit firm shall provide, compile, and file the Annual Report of Financial Transactions to the State Controller of California, from data provided by District staff.
- F. Without sacrificing the independent role of the audit firm, the selected firm will be available to District staff during the year to answer questions about appropriate accounting treatment, offer suggestions regarding new accounting standards, and similar support for the purpose of educating staff and producing high-quality financial reports.
- G. The District closes its books in July and will be ready for audit field work by August of each year. The auditor shall provide all drafts and recommendations for improvements to the General Manager within a reasonable time period after the last day of field work. The auditor should be available for any meetings that may be necessary to discuss the draft audit reports. Once all issues of discussion are resolved, the completed CAFR, Basic Financial Statements, and other reports shall be delivered to the Board. This process will be completed, and the final products be delivered by December 31st of each year.
- H. All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by District of the need to extend the retention period. The auditor will be required to make working papers available to the District. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: District General Manager; District Counsel; and the Board.

III. DESCRIPTION OF THE DISTRICT

Heritage Ranch Community Services District is a Special District located in the planned community of Heritage Ranch located 14 miles west of the City of Paso Robles. The phased residential development began in the early 1970's with newer subdivisions currently being built-out. Historically, the community was dominated by part-time or seasonal residents with the emphasis of recreational use at Lake Nacimiento. However, recently Heritage Ranch has become more of a full-time residential community. The County of San Luis Obispo approved master plan for Heritage Ranch allows for 2,900 residential units. To date, approximately 2,071 lots are approved. There are currently about 1,944 active water connections and about 1,761 active sewer connections within the District's jurisdiction.

On February 26, 1990, Heritage Ranch Community Services District was created by a resolution adopted by the County Board of Supervisors. The District service area includes 5,361 acres. Water and sewer services were the first two functions performed by the District. In subsequent years the functions of solid waste, parks and recreation, and operation of a retail gas station were added. The gas station has since been removed with the remaining additional services representing a small segment of District operations.

The District's fiscal year begins July 1 and ends June 30. The current budget in FY 2019-20 is approximately \$2.8 million for all funds combined, including capital. The District's revenue is from rates, charges and fees, and property taxes/assessments. Water and sewer rates have historically made up the largest revenue category and currently account for approximately 65% of the total annual funding.

The District's financial system is organized as an enterprise fund and follows the accrual method of accounting. The District's accounting records are computerized using INCODE accounting and billing software. Recent audits may be found on our website at: <https://heritageranchcsd.ca.gov/district-financial-information>

IV. TIME REQUIREMENTS AND EVALUATION PROCESS

The following is a list of key dates for the selection of an auditing firm:

Date	Activity
March 20, 2020	Request for proposals issued
April 24, 2020	Due date for proposals (due by 4:00 p.m.)
TBD	Oral interviews (conducted at District's discretion)
May 8, 2020	Notification of recommended auditing firm
May 21, 2020	Agreement awarded by District Board of Directors

Proposals shall be evaluated based on the following criteria (listed in random order without regard to order of importance):

- Expertise and qualifications of assigned staff, including prior experience in performing similar work for public sector clients
- Audit methodology and approach
- Responsiveness to the requirements of the RFP
- Recent references from comparable clients

The District retains full discretion in determining the applicability and weight of the criteria listed above. Cost proposals will be considered only after proposals have been evaluated and ranked. During the evaluation process, the HRCSD reserves the right, where it may serve the HRCSD's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. Also, at the discretion of HRCSD, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR & REPORT PREPARATION

District staff will be available during the audit to assist the firm by providing information, documentation, and explanations. In addition, the District will provide the auditor with reasonable work space, desks, chairs, access to internet connectivity, and photocopying machines. Report preparation, editing, printing, tabbing, and binding shall be the responsibility of the auditor. The auditor shall provide copies as follows:

- Comprehensive Annual Financial Report (7 copies and digital file in Adobe Acrobat format)
- Management Discussion and Analysis (7 copies and digital file in Adobe Acrobat format)

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries concerning the Request for Proposals and the subject of the Request for Proposals must be made to:

Scott Duffield, General Manager
4870 Heritage Road
Paso Robles, CA 93465
(805) 227-6230, scott@heritageranchcsd.ca.gov

2. Three (3) copies and digital file in Adobe Acrobat format of the Proposal shall be received by the District by 4:00 p.m. on April 24, 2020 for a proposal to be considered. The Proposal should address the items listed in sections B and C below.

The Proposal should be clearly identified as "Audit Services Proposal" and be addressed as follows:

Heritage Ranch Community Services District
Attn: Scott Duffield, General Manager
4870 Heritage Road
Paso Robles, CA 93465

Proposals can be mailed, or hand delivered to the address above. The District will not accept fax or emailed proposals (except for the digital file in Adobe Acrobat format as stated above).

The Proposal must be submitted in two parts; the Technical Proposal and the Cost Proposal, as described below.

Proposals must be valid for a minimum of 90 days.

B. Technical Proposal

The Technical Proposal must include:

1. Title Page showing the request for proposals subject; the firm's name; the name, address, and telephone number of the contact person; and the date of the proposal.
2. Table of Contents identifying the materials submitted by section and page number.
3. Signed Transmittal Letter briefly stating the firm's understanding of the work to be done; the commitment to perform the work within the time period; and the name(s) of the person(s) authorized to represent the firm, title, address, and telephone number.
4. Detailed Proposal as described below.

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of the District in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than the form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

The Technical Proposal should exclude any cost information, which should only be included in the sealed Cost Proposal.

The proposal should be prepared simply and economically, providing a straightforward, concise description of the firm's capabilities to satisfy the requirements of this request for proposals. While additional data may be presented, the following subjects must be included. They represent the criteria against which the proposal will be evaluated.

1. License to Practice in California.
An affirmative statement must be included verifying the firm and all assigned key professional staff are properly licensed to practice in California.
2. Independence.
The firm must provide an affirmative statement that it is independent of the Heritage Ranch Community Services District as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's Government Auditing Standards.
3. Firm Qualifications and Experience.
The firm must have extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Statements prepared in accordance with GAAP. The proposal should include 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 on a fulltime basis and the number and nature of the staff to be so employed on a part-time basis. Staff consistency is an important consideration. The proposal must include a list of all current municipal clients.

The firm is also required to submit a copy of a report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific government engagements (required by current Government Audit Standards). The proposal shall also include information on the results of any Federal or State desk reviews or field reviews of its audits during the past three (3) years. The proposal shall include information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with State regulatory bodies or professional organizations, if applicable.

4. Partner, Supervisory and Staff Qualifications and Experience.
Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to this engagement. Include resumes, indicating whether

each such person is registered or licensed to practice as a certified public accountant in California. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past (3) three years and membership in professional organizations relevant to the performance of this audit. Indicate how the consistent assignment of staff over the term of the agreement will be assured.

5. Similar Engagements with Other Government Entities.

For the firm's staff that will be assigned responsibility for the audit, list five completed engagements similar to the work described in this request for proposals. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Also, please indicate whether the audit was part of a Comprehensive Annual Financial Report prepared in conformance with GAAP requirements. Although the HRCSD does not anticipate a Single Audit during the contract term, the selected firm will have experience performing Single Audits. The District reserves the right to contact any or all the listed references regarding the audit services performed by the audit firm.

6. Specific Audit Approach.

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this request for proposals. In developing the work plan, reference should be made to such sources of information as District's budget and related materials, organizational charts, manuals, programs, and financial and other management information systems. The proposal should include the following information about the firm's audit approach:

- Proposed phases of the audit and staff hours assigned to each phase for the engagement;
- Description of analytical procedures to be used in the engagement, including sampling;
- Approach to be taken to understand, review and make recommendations regarding the District's internal control structure;
- Description of any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from HRCSD.

NO DOLLAR AMOUNTS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Cost Proposal

The cost proposal should contain all detailed pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs, including all out of pocket expenses.

There is no expressed or implied obligation for the District to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Such costs should not be included in the proposal.

Progress payment will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's proposal. Interim billings shall cover a period of not less than a calendar month.

The Cost Proposal shall be sealed in a separate envelope and clearly marked as "Cost Proposal."

VII. PUBLIC NATURE OF PROPOSAL MATERIALS

All proposals submitted in response to this RFP shall become the property of the HRCSD and may be used by HRCSD for any purpose. Proposals received by HRCSD shall not be returned to the Proposer. If a Proposal contains information that the Proposer considers proprietary and confidential, it shall be the responsibility of the Proposer (and not the HRCSD) to specify which items of information are proprietary and clearly identify in writing which specific pieces of information are proprietary at the time the proposal is submitted. It shall be insufficient for the Proposer to merely identify the entire Proposal or an entire page or set of pages as proprietary. With respect to information deemed proprietary, the procedures set forth below shall be observed. Not-to-exceed sums, hourly rates, and other similar information, that may be set forth in a proposal shall not constitute proprietary information nor shall any information readily available to the general public or any other information not regarded as proprietary and confidential under federal or state law.

To comply with the California Public Records Act (Govt. Code Section 6250, et. seq.), HRCSD reserves the right to make copies of a Proposer's proposal available for inspection and copying by members of the public (including proposals which may contain information the Proposer regards as proprietary in nature), unless the HRCSD's legal counsel determines that the information which the Proposer regards as proprietary may be withheld pursuant to applicable provisions of the California Public Records Act or other applicable state or federal law. In the event HRCSD intends to disclose records containing information the Proposer has specifically identified as being proprietary and confidential, HRCSD shall notify the Proposer in writing of its intent to release such information. The Proposer shall then have five (5) working days after HRCSD's issuance of its notice to give HRCSD written notice of the Proposer's objection to HRCSD's release of proprietary

information. HRCSD will not release the proprietary information after receipt of the objection notice from the Proposer unless: (i) the objection notice is not received by HRCSD until after the close of business on the 5th day following HRCSD's issuance of the notice of intent to disclose; (ii) ordered to release the information by a court of competent jurisdiction; or (iii) the Proposer's objection notice fails to include a fully executed indemnification agreement wherein the Proposer agrees to indemnify, defend and hold harmless HRCSD, and its elected and appointed officials, officers, directors, employees and agents from and against all liability, loss, cost or expense (including attorneys' fees) arising out of any legal action brought to compel the release of records containing the proprietary information which the Proposer wishes to withhold.