

**OLIVEHURST PUBLIC UTILITY DISTRICT
REQUEST FOR PROPOSAL
AUDIT SERVICES**



I. INTRODUCTION

A. General Information

The Olivehurst Public Utility District (the District) is requesting proposals from licensed certified public accountant firms with GASB 34 qualification to audit its financial statements for the fiscal year ending June 30, 2009, with the option of auditing its financial statements for the subsequent two (2) fiscal years. Additionally the District requests an expanded scope for the audit of fiscal year ending June 2009 to provide an opinion on the sufficiency of the District response to the audit findings and criticisms for the fiscal year ending June 2008. These audits are to be performed in accordance with the provisions included in this request for proposal:

To be considered, proposals must be received by Glen Phillips at 1970 9th Avenue Olivehurst, CA 95961, by 4:00 P.M. on February 26, 2010. The District reserves the right to reject any or all proposals submitted.

The District reserves the right, where it may serve the District's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the District, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

Submission of the proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.

It is anticipated the selection of a firm will be completed by March 18, 2010. Following the notification of the selected firm it is expected a contract will be executed between both parties by March 31, 2010.

B. Term of Engagement

A three (3) year contract with annual renewals is contemplated, subject to satisfactory negotiation of terms and the concurrence of the Board of Directors.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be Performed

The auditor will express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles.

The financial and compliance audit will involve all the District's funds and accounts. The auditor is required to analyze and apply audit procedures to the supplementary information in order to comply with reporting requirements as prescribed by applicable regulatory specifications.

The auditor will express an opinion on the sufficiency of the Districts response to findings and general criticisms contained the Auditor's Report for the fiscal year ending June 30, 2008.

Conduct entrance conference with representatives from the District's Board of Directors.

Conduct exit conference with representatives from the District's Board of Directors

B. Auditing Standards

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards and the standards set forth for financial audits in the *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non Profit Organizations*.

C. Reports

The auditor shall submit to the District's Board of Directors the following reports, with copies as appropriate:

1. Independent Auditors Report on financial statements of the governmental activities, each major fund, and the aggregate remaining fund information
2. Independent Auditor's Report on Compliance and Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
3. Current Year Findings and Recommendations
4. Status of Prior Year Findings and Recommendations
5. A management letter, with appropriate recommendations, commenting on material weaknesses in internal accounting control, reportable conditions, and identifying possible noncompliance with finance related legal provisions

6. Irregularities and illegal acts. Auditors are 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:
 - a. Board President
 - b. District Legal Counsel

In the required report(s) on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial statement. In Addition, the following conditions shall be considered reportable:

- Reportable conditions that are also material weaknesses shall be identified as such in the report
- Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on internal controls
- The report on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance

A minimum of 15 copies of each audit report is required.

D. Working Paper Retention and access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the District of the need to extend the retention period.

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.

E. Timing, Location, and Conduct of Audit Work

The following conditions shall apply:

1. The District, expects to receive prior to June 1st of each year, a list of schedules to be prepared and other items required for the audit.
2. Pre-closing, interim, tests and procedures shall be conducted at a mutually agreeable time.
3. The audit will be conducted on district premises. The District will provide space deemed adequate by the auditor to efficiently conduct the audit.

4. Adjusted trial balance figures are required. Prior to completion of the onsite audit, the auditor will meet with the District's staff to review adjusting journal entries, certify data for submission..
5. Audits of individual activity funds shall be conducted within three weeks of receipt of the year-ending statements.
6. Timely report completion and an exit conference are required.
7. Prior to submission of the completed report, the auditor will be required to review a draft of the proposed report and management letter with the District's staff.
8. The financial audit reports must be submitted to the District no later than November 1st of each year.
9. The auditor will present the financial statement and management letter at a meeting of the District's Board of Directors as requested.

III. DESCRIPTION OF THE GOVERNMENT

A. Principal Contact

The auditors will report to the President of the Board of Directors and will receive information from the District's Financial Manager or a designated representative, who will coordinate the assistance to be provided by the District to the auditor.

B. Background Information

The District is a California special district providing water, sewer, park and fire services for the communities of Olivehurst and Plumas Lake. The District General Fund budget is approximately \$1,801,305 and the Enterprise Funds budget is approximately \$3,833,567.

The Business Office personnel consist of the General Manager, Financial Manager, Office Manager, Board Clerk, and three Accounts Clerks.

The District uses the modified accrual basis of accounting. The District utilizes the Harris Computer financial management software package on a Windows 2003 server.

2008-2009 Budget Information is provided (Appendix A)

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are required to be submitted:

Requests for proposals issued *February 1, 2010*
Due Date for proposals *February 26, 2010*

B. Notification and Contract Dates

Selected firm notified *March 19, 2010*
Contract date *March 31, 2010*

C. Date Audit May Commence

The District will have all records, posted statements, bank reconciliations, and other necessary reports ready for audit and all management personnel available to meet with the firm's personnel as of March 31, 2010 for fiscal year 2008-09 and August 31, 20XX in future years.

V. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Glen Phillips
OPUD Financial Manager
1970 9th Avenue
Olivehurst, CA 95961
GPHILLIPS@OPUD.ORG
(530) 743-0317

2. Submission of Proposals

The following material is required to be received by *February 26, 2010* for a proposing firm to be considered:

a. A master copy (so marked) of a Technical Proposal and two (2) copies to include the following:

i. Title page

Title page showing the request for proposal's subject; the firm's name, address and telephone number of a contact person; and the date of the proposal.

ii. Table of Contents

iii. Transmittal Letter

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 time period, a statement of why the firm believes itself to be the best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for sixty days.

iv. Detailed Proposal

- b. The proposer shall submit an original in a envelope marked as follows:

**PROPOSAL FOR OLIVEHURST PUBLIC UTILITY DISTRICT
PROFESSIONAL AUDITING SERVICES**

- c. Proposer should send the completed proposal to the following address:

***Glen Phillips
OPUD Financial Manager
1970 9th Avenue
Olivehurst, CA 95961***

B. Technical Proposal

1. General Requirements

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 proposal requirements. As such, the substance of proposals will carry more weight than their form or manner of presentation.

While additional data may be presented, the following subjects, items No. 2 through 10, must be included. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the District as defined by generally accepted auditing standards/the U.S. General Accounting Office's government Auditing Standards (2003). The firm should also list and describe the firm's professional relationships involving the District or any of its agencies for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

3. License to Practice in California.

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in California. The statement should also affirm the firm's ability to measure and attest to the District's compliance with GASB 34.

4. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's government 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 full-time basis. And the number of the staff to be employed on a part-time basis.

The firm shall provide information on the results of the most recent peer review and the results of any Federal or State reviews of its audits during the past five (5) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past five (5) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in California. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past five (5) years and membership in professional organizations relevant to the performance of the audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the District. However, in either case, the District retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the District

The firm should list separately all engagements within the last five years for the District by the type of engagement (i.e. audit, management advisory services, other). For each engagement, the firm should indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of ten) performed in the last five years that are similar to the engagement 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.

8. 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 Section II of this request for proposals.

Firms are required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the District's internal control structure
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential Audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the District.

C. Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The dollar cost bid should contain all 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.

The District will not be responsible for expenses incurred in preparing and submitting the technical proposal or the dollar cost bid. Such costs should not be included in the proposal.

The dollar cost bid sheet should include the following information:

- a. Name of Firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the District.
- c. A fixed price consistent with auditing standards at that time for the 2009, 2010 and 2011 engagements.

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The dollar cost bid should include a schedule of professional fees and expenses.

3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price

4. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the agreement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month. Ten percent (10%) will be withheld pending delivery of the firm's final reports.

VI. EVALUATION PROCEDURES

A. Administrative Review

Proposals submitted will be evaluated by the District's Board of Directors and staff.

B. Review of Proposals

The Administrative Review will consist of a point formula during the review process to score proposals by each of the criteria described below.

After the composite technical score for each firm has been established, the cost bid will be opened and additional points will be added to the technical score based on the price bid.

C. Evaluation of Proposals

The following is intended to give a brief description of the steps that will be used in the evaluation of the proposals. The evaluators will compare the relative merits of alternative audit approaches and will assess the hours required by staff level to complete the various segments of the audit as well as determine if the experience of assigned staff is adequate for the type of audit desired.

	Technical Criteria	Point Range
1.	Responsiveness of the proposal in clearly stating an understanding of the work to be performed (0-45)	
	a. Audit Coverage	0-20
	Adequacy of sampling techniques	
	Adequacy of analytical procedures	
	b. Realistic time estimates of each major segment of the work plan and the estimated number of hours for each staff level including consultants assigned	0-10
	c. Copy of an audit conducted last year for another similar district	0-15
2.	Technical experience of the firm (0-40)	
	a. Auditing of the type under consideration	0-15
	b. Auditing similar entities (size/budget)	0-20
	c. Firm or staff auditing experience with this district	0-5
3.	Qualifications of staff, including consultants, to be assigned to the audit. Education, including continuing education courses taken during the past two years, position in the firm, and years and types of experience will be considered. This will be determined from the resumes submitted (0-30)	
	a. Qualifications of the audit team	0-20

b.	Supervision to be exercised over the audit team by the firm's management	0-10
4.	Size and structure of the firm	0-10
	TOTAL TECHNICAL POINTS	0-125

	Cost Criteria	Point Range
1.	Cost of the Audit	0-25
	TOTAL COST POINTS	0-25
	MAXIMUM POINTS	0-150

In the event that oral interviews are necessary, additional points will be given on a scale of 0-25. While the total score will be a significant factor, the District reserves the right to make a final selection.

D. Oral Presentations

During the evaluation process, the District's Board of Directors has the discretion to request any one or all firms to make oral presentations. Such presentations may provide firms with an opportunity to answer any questions on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The District's Board of Directors will select a firm based upon the recommendation of administration. It is anticipated that a firm will be selected by **March 18, 2010**. Following notification of the firm selected, it is expected a contract will be executed between both parties by **March 31, 2010**.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between District and the firm selected.

The District reserves the right without prejudice to reject any and all proposals.