



East Palo Alto Sanitary District

*Request for Proposals
For Professional Auditing Services*



EAST PALO ALTO SANITARY DISTRICT

REQUEST FOR PROPOSAL

FOR AUDIT SERVICES

FOR THE PERIOD

JULY 1, 2016 THROUGH JUNE 30, 2017

INQUIRIES AND PROPOSALS SHOULD BE DIRECTED TO:

EPASD Contact Name: Karen Maxey, Interim General Manager
901 Weeks Street
East Palo Alto, CA 94303
kmaxey@epasd.com
Phone: 650.325.9021
Fax: 650.325.5173

EPASD Accountant: Micheline Wegem
mwegem@epasd.com

Closing Submission Date

Proposals must be submitted no later than 5:00 PM on July 31, 2017.

I. INTRODUCTION

A. General Information

The East Palo Alto Sanitary District (District) is soliciting this Request for Proposals (RFP) from qualified certified public accounting firms to audit its financial statements for two years, beginning with the fiscal year ending June 30, 2017, with the option of extending the contract for one (1) additional one-year period, at the District's sole discretion. The contract may be canceled if the District determines the audit services to be unsatisfactory.

These audits are to be performed in accordance with the Minimum Audit Requirements and Reporting Guidelines for California Special Districts as required by the State Controller's office and with generally accepted auditing standards.

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

Proposals submitted will be evaluated by a committee which consists of the Interim General Manager, the District Accountant, and two District Board members. During the evaluation process, the District reserves the right, where it may serve the District's best interest, to request additional information and clarifications from proposers, or to allow corrections of errors or omissions. It is anticipated that recommendation of the auditing firm selection will be presented to the Board of Directors at its Thursday, September 6, 2017 meeting. Following notification of the selected firm, it is expected a contract will be executed between both parties by September 30, 2017

II. DESCRIPTION OF THE EAST PALO ALTO SANITARY DISTRICT

A. Background Information

East Palo Alto Sanitary District, ("District"), is a Special District responsible for maintaining the sanitary sewers in a portion of the cities of East Palo Alto and Menlo Park, in San Mateo County. The collection system carries wastewater from the District's service area to the Palo Alto Treatment Plant where it is treated and disposed of in a manner which meets federal and state standards.

The District was established in 1939 as a result of increased development in the East Palo Alto area. The initial sewer lines were installed as a WPA project. Construction began after the treatment contract with the City of Palo Alto was signed in 1940 and District facilities were put into operation on September 8, 1942.

The District is governed by a five-member Board of Directors, elected by the registered voters residing within the District. The Board establishes the operating policies of the District; District employees carry out those policies on a day-to-day basis.

District employees consist of the General Manager, who is responsible for the administration of all District business, and necessary support staff with office and/or field responsibilities.

Our work is extremely important to the health and welfare of our community. We are proud of our employees and the reputation the District has enjoyed. We are totally committed to the maintenance of the highest standards of quality and service to members of the public and our community.

III. NATURE OF SERVICES REQUIRED – Scope of Work

The selected auditor will be required to complete the following tasks:

1. Audit the District basic financial statements in accordance with Generally Accepted Auditing Standards (GAAS) in the United States and the standards applicable to financials audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, and Governmental Account Standard Board (GASB) Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.
2. Express an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of the District and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditors’ reporting stating this opinion.
3. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*, and issue a report on their consideration.
4. Apply limited procedures related to the Required Supplementary Information (RSI), Management’s Discussion and Analysis (MD&A), and the Supplementary Information.
5. Prepare a Report to Board of Directors and Management which identifies control deficiencies, significant deficiencies and material weaknesses, if any, and your recommendations for improvements in accounting and administrative controls.
6. Present and discuss annual financial statements and results of operations to the Board of Directors at the meeting following completion of the audit.
7. Communicate immediately and in writing all irregularities and illegal acts, or indications of illegal acts, of which they become aware, to the Interim General Manager.
8. Provide general consultation as required, during the year, on financial accounting and reporting matters.

9. Retain at auditor’s expense audit working papers for three (3) 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 reasonable inquiries of the District and successor auditors and allow the District and successor to review working papers relating to matters of continuing accounting significance.

IV. TIMING AND OTHER REQUIREMENTS

A. Key Dates for Proposal Evaluation and Selection:

Time Table	
Distribution of RFP	July 10, 2017
Deadline for submission of questions	TBD
Proposal submission	July 31, 2017 5:00 PM
Proposal review	TBD
Oral presentations, as needed	TBD
Board approval	TBD
Notification to finalists	TBD
Expected signing of Contract	TBD

We have made every effort to include sufficient information within this Request for Proposal to prepare as responsive, comprehensive, and competitive a proposal as possible.

The timing of the proposal process is as follows:

1. **Distribution of Request for Proposals:** July 10, 2017.
2. **Questions:** Inquiries concerning the RFP should be addressed to Micheline Wegem, District Accountant, at mwegem@epasd.com : A copy of the District’s most recent audited financial statements and the Board adopted 2017 – 2018 budget are available on the District’s website at <http://www.epasd.com/about-epasd/financial-information>.
3. **Proposal Submission:** Proposals must be delivered in person or mailed directly to the East Palo Alto Sanitary District office no later than **5:00 PM, July 31, 2017**. Late submissions after the deadline or proposals delivered via fax or email will not be accepted. Please submit proposal to the following address:

***East Palo Alto Sanitary District
901 Weeks Street
East Palo Alto, CA 94303***

Attn: Karen Maxey, Interim General Manager

4. **Proposal Review:** Our review committee will evaluate each proposal submitted. It is anticipated that the review process will be completed by August 31, 2017.
5. **Oral Presentations, as needed:** If necessary, the District will contact finalists to participate in oral presentations following completion of the proposal review process. A venue and time for these presentations will be established once proposers are notified of the need for an oral presentation.
6. **Notification to finalists:** The review committee will forward its recommendation to the East Palo Alto Sanitary District Board of Directors for approval at the regularly scheduled meeting of **September 6, 2017**. All finalists will be notified of the final decision by **September 25, 2017**.
7. **Contract Term:** The Audit Services contract will become effective on the execution of the contract for two (2) fiscal years ending June 30, 2017, and 2018 with the option to extend the contract for one (1) additional one-year period, at the District's sole discretion.

We will make every effort to administer the proposal process in accordance with the terms and dates discussed in this RFP. However, we reserve the right to modify the proposal process and dates as deemed necessary, and reserve the right to not award a contract. The District assumes no obligation for any costs incurred by any proposer in preparing the response to this request, attending an interview, or any other activity prior to award of the contract to the selected proposer.

B. Project Schedule for Fiscal Year 2016-2017 Audit (Year ending June 30)

1. The auditor shall provide the District with an audit plan, including a list of schedules and other work requested no later than **TBD**.
2. Depending on the type and extent of interim audit procedures before **TBD**, The District expects to have all records, prepared by client lists, and schedules ready for the audit field work by the middle of **TBD** and would expect field work to commence no later than the middle to late **TBD**.
3. The auditor shall complete field work in time to allow preparation of the draft financial statements and discussion of the draft statements with District staff by **TBD**.
4. A draft of the management letter shall also be provided by **TBD**. District staff shall have the opportunity to discuss and comment upon any findings and recommendations prior to issuance.

5. Final Draft Financial Statements will be presented by auditor to Staff no later than **TBD**. Staff will use this document to draft the Management's Discussion and Analysis letter, and will provide the auditor with a review draft no later than **January 15, 2018**.
6. Final copies of the audited financial statements shall be issued no later than **TBD**. The final version of the management letter shall be issued **TBD**. Ten (10) bound hard copies and one loose page copy will be provided by auditor along with a copy of the Final Financial Statements in PDF format.

A similar schedule will be developed for audits of subsequent fiscal years.

C. Assistance Provided to the Auditor

District staff will be available during interim and audit field work to assist the auditor by providing access and direction to information, documentation, and be available for explanation of all inquiries. Staff will provide clerical assistance for preparation of confirmations and other routine correspondence. The District will be responsible for the preparation of the Management Discussion and Analysis (MD&A).

The District will provide the auditors with reasonable workspace, phone, wireless internet and copy machine access.

D. Additional Services

If it should become necessary for the District to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the District and the firm. Any such additional work agreed to between the District and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the Proposal Data Sheet and the contents of the Technical Proposal

E. Payment

Progress payments will be made on work completed during the course of the engagement.

V. Proposal Requirements

A. Format of Technical Proposal

1. Title Page

- a. The RFP subject,

- b. The proposing firm's name,
- c. Contact person's name, local address, telephone number, and email address. If the firm has more than one office, state which office will be responsible for providing services to the District, and
- d. The date of the submission

2. Table of Contents

- a. Identification of material submitted, by section and page number,
- b. Cross reference to section and page number of RFP.

3. Transmittal Letter

- a. General introduction stating the proposer's understanding of the services to be provided,
- b. A positive commitment to perform the service within the time period specified,
- c. A statement why the firm believes itself to be best qualified to perform the engagement,
- d. A statement of how long you have been in business and how many financial audits were performed by your firm for public agencies during the past five (5) years,
- e. A statement that the proposal is a firm and irrevocable offer for the stated period of time,
- f. Name(s) of person(s) authorized to represent the proposer, title, address, telephone number, email address, and
- g. Signature.

4. Detailed Proposal Following the Order Set Forth in Section B

B. Contents of Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the District in conformity with the requirements of this RFP. 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 RFP requirements.

The Technical Proposal should address all the points in the order outlined in the RFP (Exclude any cost information, which should only be included in the cost proposal section).

The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the areas detailed below must be included. They represent the criteria against which the proposal will be evaluated.

1. License to Practice in California

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in California.

2. Independence

The firm should provide affirmative statement that it is independent of the East Palo Alto Sanitary District as defined by generally accepted auditing standards and the US General Accounting Office's *Government Auditing Standards*.

The firm should also list and describe the firm's professional relationships involving the District 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.

In addition, the firm shall give the District written notice of any professional relationships

3. Identification of Anticipated Potential Audit Problems

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

4. References

Please provide the name of all cities, counties and special districts for which the firm has audited basic financial statements during the past three (3) years. These engagements should be ranked first for special districts on the basis of total staff hours, followed by all cities and counties ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partner, total hours.

Please include reference contact information for at least three of these special districts, including the name, telephone number and email address of the principal client contact. The District reserves the right to contact any or all of the listed references.

VI. Evaluation Process

1. Oral Presentation

During the evaluation process, the committee may, at its discretion, request any one or more firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

2. Final Decision

It is anticipated that the Board of Directors will select a firm on September 7, 2017. Following notification of the firm selected, it is expected a contract will be executed between both parties by September 30, 2017.