



ROSS VALLEY SANITARY DISTRICT

2960 Kerner Blvd., San Rafael, CA 94901
Tel. (415) 259-2949 | Fax (415) 460-2149 | Web: www.rvsd.org

REQUEST FOR PROPOSALS

PROFESSIONAL AUDITING SERVICES

The Ross Valley Sanitary District (AKA Sanitary District No. 1 of Marin County, or District) is requesting from qualified firms of certified public accountants to audit the District's financial statements for the three fiscal years ending June 30, 2017, 2018 and 2019, with the option of auditing the District's financial statements for two subsequent fiscal years. Audit firms expressing interest can assess the Request for Proposals (RFP) requirements at www.rvsd.org or can request an RFP via email.

To be considered for this engagement, your firm must meet the qualifications and satisfy the requirements set forth in the RFP. Any and all exceptions must be clearly stated in the proposal. A proposal will not be considered if it does not comply with all the requirements specified in the RFP.

Please indicate your interest in receiving a copy of the RFP by going directly to www.rvsd.org or by making an email request to the contact below.

Contact Information

All questions must be submitted, in writing by way of fax or email only no later than 4:00 PM, two weeks prior to the submittal deadline to the District contact below. The District will respond to all questions received no less than one week prior to the submittal deadline.

Julie Blue, Accounting and Financial Analyst
Ross Valley Sanitary District
2960 Kerner Boulevard
San Rafael, California 94901
Phone: 415.870.9765
Fax: 415.460.2149
Email: jblue@rvsd.org

To be considered eligible for the selection process, the required copies of each interested firm's proposal must be received by the District **no later than 4:00 PM Wednesday, April 26, 2017.**

BACKGROUND

The Ross Valley Sanitary District (AKA: Sanitary District No. 1 of Marin County, or District), established in 1899, serves the sewer collection needs of approximately 50,000 customers in Fairfax, San Anselmo, Ross, Larkspur, Bon Air, Sleepy Hollow, Kentfield, Kent Woodlands, Oak Manor, Greenbrae, and Murray Park. The District operates and maintains approximately 200 miles of gravity sewer mainlines, about eight miles of force mains (highly-pressurized wastewater pipelines), and nineteen (19) pump stations. The District: is currently engaged in an aggressive ten-year Capital Improvement Program, with key infrastructure rehabilitation/replacement projects valued at \$68 million.

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles as set by the Government Accounting Standards Board (GASB). In addition, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Sewer service charges are the main source of revenue for the District. Billings of these charges are made annually through the County of Marin Property Tax billing. The District maintains no bad debt – the County charges a fee to the District for maintaining receivables and collections.

RVSD's fiscal year begins on July 1 and ends on June 30. RVSD's financial statements do not include those of any other governmental unit and are not included as a component unit of any other governmental reporting entity. RVSD is accounted for in a single enterprise fund.

The RVSD organization is comprised of three departments and thirty-eight (38) approved positions.

The accounting and financial reporting functions are centralized. More detailed information can be found in the budget documents and annual financial reports by visiting:

<http://rvsd.org/about-us/financial-information>

Fund Structure

RVSD activities are accounted for in a single enterprise fund in its financial reporting and utilizes the full accrual accounting method to measure all financial activity.

Budgetary Basis of Accounting

RVSD prepares its budgets on a cash basis consistent with generally accepted accounting principles.

Pension Plans

RVSD participates in the California Public Employee Retirement System (CalPERS).

Risk Management

RVSD is exposed to risks of loss from property, liability, and workers' compensation. RVSD mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority (CSRMA) which provides liability, errors and omissions, property, workers' compensation and other miscellaneous insurance.

Computer Systems

The hardware is PC based Windows and networked. The accounting software is *Quickbooks Enterprise*. Payroll is processed in house using *QuickBooks*. Fixed assets are managed in an Excel schedule which is updated annually. Excel and Word are used for other financial applications and reporting.

Availability of Prior Audit Reports and Working Papers

The Comprehensive Annual Financial Report (CAFR), Audited Financial Statements, and approved Budgets can be found on the RVSD website listed below. Additional information can be provided upon request.

<http://rvsd.org/about-us/financial-information>

PROJECT DESCRIPTION

Ross Valley Sanitary District (RVSD) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the three fiscal year ending June 30, 2017-2019, with the option of auditing its financial statements for each of the subsequent two fiscal years. These audits are to be performed in accordance with generally accepted auditing standards.

The initial contract is subject to the recommendation of the evaluation committee, the satisfactory negotiation of terms (including a price acceptable to both RVSD and the selected firm), and approval of the RVSD Board of Directors. An extended agreement to the initial contract will be entered into should RVSD and the selected firm mutually choose the option to continue services for each of the two subsequent years.

SCOPE OF WORK

The tasks listed below are intended to generally describe the services to be provided by the consultant. The services listed are not all-inclusive, but rather represent those normally expected during performance of the project.

RVSD desires the auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted auditing standards.

Auditing Standards to Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants. In addition, Governmental Auditing Standards shall be followed as required for the financial audit report.

Reports to Be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue a report on the fair presentation of the financial statements in conformity with generally accepted auditing standards and governmental auditing standards.

The auditor shall communicate in a letter to management 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 data consistent with the assertions of management in the financial statement.

In addition, auditors shall be required to make an immediate written report of all irregularities and illegal acts of which they become aware to the General Manager and to the Board of Directors.

Reporting to the General Manager: Auditors shall assure themselves that RVSD's General Manager is informed of each of the following:

1. The Auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management's judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

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 three years, unless the firm is notified in writing by RVSD of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- Ross Valley Sanitary District (RVSD)
- Parties designated by the Federal or state government or by RVSD as part of an audit quality review process

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.

CAFR Preparation

Report preparation, editing and printing of the District's CAFR shall be performed by the consultant, and its approval the responsibility of the District. The Auditors will provide a technical review.

ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

a. Accounting Division and Clerical Assistance

The Accounting Division staff and responsible management personnel will be available during the audit to assist the auditors by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the District.

b. Statements and Schedules to be Prepared by District Staff

District staff will prepare all work papers and schedules associated with the audit including reconciliations. Audit staff will prepare appropriate analyses of all balance sheet accounts and selected revenue and expense accounts. It is anticipated that the unaudited general ledger as well as all work papers and schedules will be ready for the auditor prior to commencing audit fieldwork.

c. GASB 45 Requirements

d. District auditors will work with staff to develop appropriate financial adjustments and footnotes to the District Financial Statements.

e. Work Area, Telephones, Photocopying and FAX Machines

The District will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided access to telephones, photocopying and FAX machines.

f. Final Reports

Audit staff will prepare all draft financial statements, footnotes, and supplementary schedules for review by District accounting staff. Final reports will be issued to the District by auditors.

Major audit elements for the audit are as follows:

1. Initial Conference

2. Interim Work

The auditor shall review with the District the procedures to be performed at interim and shall mutually agree upon a timeframe to commence and completed the interim work.

3. Detailed Audit Plan

A clearly defined audit plan and list of all schedules to be prepared by District staff.

4. Year-End Fieldwork

It is anticipated that fieldwork shall be completed within a period of two weeks. The auditor shall notify District staff and mutually agree upon time delays, if any. The Annual Report of Financial Transactions required by the State Controller's Office will be produced by the auditors and submitted to District staff for review prior to the required filing date.

5. Draft Reports

The auditor shall provide the District with a draft management letter, if any, and draft Financial Statements at a time mutually agreed upon between the auditor and the District.

6. Auditor's Opinion Letter

The signed auditor's opinion letter shall be delivered to the Controller as soon as practicable subsequent to the conclusion of the audit for inclusion in the District's CAFR.

7. Entrance Conferences, Progress Reporting and Exit Conferences

Communication between District staff and audit staff should occur regularly. All parties shall be kept fully informed of any audit related issues as they arise not tied to fixing meeting schedules.

8. Review Draft of CAFR

The auditors will provide a draft of the CAFR to the District for review. Final review/approval by the auditors of the draft CAFR shall be completed no later than one week after receipt of District comments.

ANTICIPATED PROJECT SCHEDULE

The District's sample schedule for completion of the project is as follows:

Issue Request for Proposals	03/27/2017
RFP Submittal Date	04/26/2017
Possible Interviews of Consultants (if needed)	05/05/2017
Contract Negotiations Completed with Consultant and Board Action	05/17/2017
Notice to Proceed	05/18/2017
Interim Work FY 16/17	06/15-07/31
Required Schedules FY 16/17	07/31/2017
Field Work FY 16/17	Week of 08/21-08/25
Draft Report Due FY 16/17	09/25/2017
Final Draft Report FY 16/17	10/13/2017
Presentation to Board FY 16/17 (if needed)	10/18/2017
Compile Comprehensive Annual Financial Report (CAFR)	12/11/2017
Finalize CAFR	12/22/2017
Project Complete and Discuss Subsequent Years	12/29/2017

PROPOSAL CONTENTS AND REQUIREMENTS

The District welcomes a response to this request for proposals in any format that best expresses the qualifications and approach of the Consultant. Proposals shall be based on the scope of work described above, and shall be complete but concise. Unnecessarily elaborate or glossy proposals are neither expected nor desired.

The Consultant must submit five copies of the proposal. Submissions on 8-1/2 x 11-inch paper are preferred, but 11 x 17-inch paper is accepted. One 11 x 17-inch sheet is considered the same page count as two 8-1/2 x 11-inch sheets.

Proposals must include the information below, in the order listed:

A. General Requirements

1. Submission of Proposals

a. The proposal to include the following:

i. Title Page

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.

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 why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for not less than ninety (90) days.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in the below of this request for proposals.

v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposal (Attachments B and C)

B. Proposal

1. General Requirements

The purpose of the proposal is to demonstrate the qualifications, competence, capacity and cost of the firms seeking to undertake an independent audit of RVSD in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The 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. The proposal should also contain all pricing information relative to performing the audit engagement as described in the request for proposals.

The proposal should address all the points outlined in the request for proposals. 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. While additional data may be presented, the following subjects, items 2 through 10, must be included. 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 RVSD as defined by generally accepted auditing standards.

3. 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.

4. Firm Qualifications and Experience

The proposal should state 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 full-time basis and the number and nature of the staff to be so employed on a part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) 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 three (3) 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 registered or licensed to practice as a certified public accountant in California. The firm should also provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this 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 should also 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 RVSD. However, in either case, RVSD retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of RVSD, which 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. 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 - 5) for like or similar government entities performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. 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 proposal. In developing the work plan, reference should be made to such sources of information as RVSD's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed tasks and activities of the engagement
- b. Level of staff, rate per each staff member and number of hours to be assigned to each proposed segment of the engagement
- c. Sample size and the extent to which statistical sampling is to be used in the engagement
- d. Type and extent of analytical procedures to be used in the engagement
- e. Approach to be taken to gain and document an understanding of RVSD's internal control structure
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work
- g. Approach to be taken in drawing audit samples for purposes of tests of compliance

8. 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 RVSD.

9. Report Format

The proposal should include sample formats for required reports.

10. Fee Proposal

- a. Total All-Inclusive Maximum Price for the 2016/17, 2017/18, and 2018/19 Engagements

The fee proposal should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be proposed is to contain all direct and indirect costs.

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

The fee proposal bid should also include a schedule of professional fees and expenses, to support the total all-inclusive maximum price.

- c. Rates for Additional Professional Services

If it should become necessary for RVSD 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 at the same rates set forth in the schedule of fees and expenses included in the fee proposal.

11. Appendices

- a. Exceptions to Agreement (two pages max)

- i. A sample Consultant Agreement is included for your reference. Please review the sample agreement carefully. Submit any change requests regarding this agreement in writing with the Proposal. Only changes requested in writing in the Proposal will be considered.
- ii. Firms choosing not to provide any comments in the written Proposal are concurring with the agreement in its entirety without exceptions.

- b. Resumes (two pages max per team member)

SELECTION PROCESS

The District will review and evaluate submitted proposals based on the Consultant's understanding of the project background, demonstrated experience with work similar in size and scope to the District's project, and the Consultant's approach to addressing the requirements of the project. Should the District determine that a proposal is lacking required information, the District shall deem that proposal unresponsive and provide no further evaluation.

Upon evaluating each proposal, the District will short-list those firms deemed capable of performing the project work. The District may select a firm or firms directly from the proposals or may conduct interviews with short-listed firms.

Selection of the Consultant(s) will be based on qualifications, and shall not be selected solely based on cost.

Auditor Selection Committee

Proposals submitted will be evaluated by an auditor selection committee selected by the District. The District reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

Evaluation Criteria

Proposals will be evaluated in part using the guidelines set forth below. All decisions regarding the ranking of firms as well as the final decision to recommend a firm rests solely with the auditor selection committee and the District.

1. Mandatory Elements
 - a. The audit firm is independent and licensed to practice in California.
 - b. The firm has no conflict of interest with regard to any other work performed by the firm for the District.
 - c. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.
 - d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

2. Technical Quality
 - a. Expertise and Experience
 - i. The firm's past experience and performance on comparable government engagements.
 - ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
 - iii. Experience and technical expertise as it specifically relates to governmental enterprise fund accounting.
 - iv. Experience and technical expertise as it specifically relates to item (3) above and financial reporting in connection with a Comprehensive Annual Financial Report, including the future implementation of the requirements of GASB 45.

 - b. Audit Approach
 - i. Adequacy of proposed engagement staffing.
 - ii. Adequacy of transaction flow analysis.
 - iii. Adequacy of substantive account balance tests.

3. Price

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

Consultant Selection Schedule. The District anticipates that a Consultant will be selected in the timeframe specified in the Anticipated Project Schedule (see above). The Consultant will be expected to commence its services immediately upon contract execution.

FORMAT OF INTERVIEW (IF HELD)

The District reserves the right to either conduct or not conduct interviews with any of the consultants. Nothing herein requires the District to invite all consultants to participate in the interview process.

If conducted, interviews would be held at a location to be determined by District. The consultants would be provided ten minutes for setup and thirty (30) minutes to present its Project approach, its proposed

Project Team, and demonstrate its ability to successfully complete the Project. Following such presentation, the District's interview panel would conduct a question and answer period with the Project Team for up to twenty (20) minutes. Interview time limits would be strictly enforced and discussions would cease after one hour from the start of the interview period.

DISCLAIMER

This RFP does not commit the District to issuing the Contract or paying any costs incurred in the preparation of the proposals. The District reserves the right to cancel in part or in whole this RFP, reject any and all proposals, to accept proposals it considers most favorable to the District's interest at its sole discretion, and to waive any irregularities or informalities in the proposal procedures. The District further reserves the right to reject all proposals and seek new proposals when such procedure is considered to be in the best interest of the District. This RFP covers only the work described herein and does not commit the District to any work beyond what is described. District reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. 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.

ATTACHMENTS

- A. Comprehensive Annual Financial Report (CAFR) with Audited Financial Statements
- B. Proposer Guarantees
- C. Proposer Warranties
- D. Sample District Contract, Including Terms and Conditions

Attachment A

Comprehensive Annual Financial Report (CAFR) with Audited Financial Statements

AVAILABLE FOR YOUR REVIEW ON THE RVSD WEBSITE AT

<http://rvsd.org/about-us/financial-information>

Note: Organization Chart is included in each fiscal year's CAFR.

Directions – Please go to the website (www.rvsd.org), click on About Us; and then click on the above document(s) to access the reports for each of the fiscal years of interest.

Attachment B

PROPOSER GUARANTEES

- I. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in the RFP.
- II. The proposer certifies that it is competent to provide the services called for in the Request for Proposal and has experience in other audits with other organizations of a similar size and complexity.
- III. All of the work papers, conclusions and written reports are the property of Ross Valley Sanitary District and will not be revealed to others without the written consent of Ross Valley Sanitary District.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

Attachment C

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof, required by Ross Valley Sanitary District for consultants.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the RVSD.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official:

Name (typed):

Title:

Firm:

Date: