



RODEO-HERCULES FIRE DISTRICT

Request For Proposal For Professional Auditing Services

**1680 Refugio Valley Road
Hercules, California 94547**

June 21, 2017

I. INTRODUCTION

A. General Information

The Rodeo-Hercules Fire District is requesting proposals from qualified certified public accounting firms to audit its financial statements for a three year period beginning with the fiscal year ending June 30, 2017, with the option for the District to extend the contract for an additional two years as further discussed in section B below. These audits are to be performed in accordance with generally accepted auditing standards and the standards set for financial audits contained in Government Auditing Standards, the provisions of the Federal Single Audit Act as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the US Office of Management and Budget (OMB) issued comprehensive grant reform rules called Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance in December 2013).

In addition, the selected firm may be asked to provide other professional consulting assistance related to the District's implementation of new GASB pronouncements and compliance therewith as they relate to the preparation of the District's financial statements.

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. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and will be disregarded.

All property rights including publication rights of all reports produced by proposer in connection with services performed under this agreement shall be vested in the District. The proposer shall not publish or release any of the results of its examination without the expressed written permission of the District.

During the evaluation process the District reserves the right - where it may service the District's best interests - to request additional information or clarifications from the proposers. At the discretion of the District, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The District reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposal was 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 the District and the firm selected.

It is anticipated the selection of a firm will be completed before July 21, 2017. 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.

B. Term of Engagement

It is the intent of the District to contract for the services presented herein for a term of three years on the basis of what was indicated above in the first paragraph of section A. The District additionally reserves the right to extend the term of this contract for two additional one-year terms subject to annual review and recommendation of the Fire Chief, the satisfactory negotiation of terms (including a price acceptable to both the District and the selected firm), the concurrence of the District Board of Directors, and the annual availability of an appropriation to pay for the audit. The additional two years would potentially extend the engagement to five years. The agreement will have a mutually agreed upon, initiated by either party, engagement termination time frame clause.

The District also intends to structure the contract such that the District has the option as to whether the District or the auditor shall prepare, print, and bind the Financial Statements noted herein. The District historically has had its auditor prepare, print, and bind the Financial Statements. It is anticipated that this would continue.

The proposal package shall present all inclusive audit fees for both options for each year of the contract term.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The District goal is to provide the public and its constituents with a financial statement that gives complete, accurate and understandable information about the District's financial condition. The selected independent auditor will be required to perform the following tasks:

1. The auditor will express an opinion as the fair presentation of the District Financial statement that gives complete, accurate and understandable information about the District financial condition. The selected independent auditor will be required to perform the following tasks:

2. Audit of the Financial Statements of Measures "O" Funds received by the District from the Contra Costa County.
3. Test of compliance of Measure "O" and issuance of a report.
4. Conduct testing of the District's compliance with the Single Audit Act and applicable laws and regulations and issuance of report.
5. Conduct testing of the GASB Statements #68 and #71 for the two CCCERA Agent Multiple Employer Plans (Miscellaneous and Safety).
6. Issue a separate Memorandum of Internal Control Structure and Management Letter that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be on-reportable conditions.
7. Prepare a web-ready PDF of the Financial Reports.

The firm selected may also be asked to examine other reports or perform other services as required.

B. Auditing Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with all applicable and generally accepted auditing standards including, but not limited to: the standards set forth for financial audits by the governmental Accounting Standards Board (GASB), in the General Accounting Office's (GAO) Government Auditing: Standards, and in the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the US Office of Management and Budget (OMB) issued comprehensive grant reform rules called Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance in December 2013).

C. Reports to be Issued

Following completion of the audit and preparation of the fiscal year's financial statements, the auditor shall issue:

1. Reports on the fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America as listed below:

- a) Comprehensive Financial Report for the Rodeo-Hercules Fire District;
 - b) Issue Single Audit Report in accordance Government Auditing Standards, the provisions of the Federal Single Audit Act as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133;
 - c) Financial Statements for Measures "O".
2. A report based on the auditor's understanding of the internal control structure and assessment of control risk. In this report, the auditor will also communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses (see #7 below for related item).
 3. A separate report on the auditor's analysis of the internal control structure used in the administration of federal financial assistance programs.
 4. A schedule and summary of findings and questioned costs. (Single Audit).
 5. A report on the District's compliance with laws and regulations related to "major" federal awards including an opinion on compliance with specific requirements applicable to "major" federal awards programs. The report on compliance shall include all instances of non-compliance.
 6. A Management Letter addressed to the District Board of Directors of the Rodeo Hercules Fire Districts setting forth recommendations (as applicable) for improvements in the District's accounting systems.
 7. The auditor shall communicate in a letter to the District Fire Chief 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 statements. "Non reportable conditions" discovered by the auditor shall be communicated in the "Management Letter".
 8. Auditors shall be required to make immediate written notification to the District Fire Chief of all irregularities and illegal acts or indications of illegal acts of which they become aware.

D. Other Communications

The independent auditor shall make all communications to the Fire Chief or to his/her designee as required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgment 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.
10. Errors, irregularities, and illegal acts.

The independent auditor must be available to present the audit plan prior to beginning field work. In addition, the independent auditor must be available to present all final reports to District management and the District Board of Directors as requested.

E. Working Paper Retention and Access to Working Papers

All work papers and reports must be retained, at the auditor's expense, for a minimum of five years following completion of the audit (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by the Rodeo-Hercules Fire District of the need to extend the retention period. The work papers are subject to review by federal, state agencies, and other individuals designated by the District. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

F. Journal Entries

All adjusting journal entries made by the independent auditors must be discussed and explained to the designated Finance Person in the District personnel prior to recording. They should be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems.

III. DESCRIPTION OF THE RODEO HERCULES FIRE PROTECTION DISTRICT

A. Name and Telephone Number of Contact Person(s)

Any questions regarding this proposal or additional information required by the respondents should be directed to:

Kimberly Corcoran, Administrative Assistant
Rodeo-Hercules Fire Protection District
1680 Refugio Valley Road
Hercules, CA 94547
corcoran@rhfd.org

B. Background Information

The Rodeo Hercules Fire Protection District (RHFD) is located in the San Pablo Bay region, servicing the westerly portion of Contra Costa County. The Rodeo Fire Department was established in 1927; the Fire Protection District was originally formed in 1937 as the Rodeo Fire District. The Fire District annexed the City of Hercules in the early 1980. The Fire District serves an approximate population of 35,000 within the communities Rodeo, Hercules, and unincorporated Contra Costa County. The District also provides service to the Conoco Phillips Refinery. RHFD's service boundaries cover approximately 32 square miles of urban, suburban and rural environment including San Pablo Bay. Staffing consists of one (1) Fire Chief, one (1) Battalion Chief, six (6) Captains, six (6) Engineers, six (6) firefighters, and one Administrative Assistant. The District responds to approximately 2400 calls annually, providing fire-fighting, emergency medical and rescue response, ALS (Advanced Life Support) paramedic services are provided by Fire District personnel. Fire Prevention/Inspection is provided by professional service contracts and fire investigation services are provided by a joint agency task force, and the adjacent Contra Costa County Fire Protection District. Current District resources include two (2) active fire stations and various fire-fighting apparatus.

C. Basis of Accounting and Fund Structure

The reporting entity the Rodeo-Hercules Fire District uses the following fund types in its financial reporting:

Governmental Fund Types: General Fund
 Special Revenue Funds
 Capital Projects Fund
 Debt Service Fund

The District may make additions to and/or deletions from this list and to the component units included in the reporting entity as deemed necessary.

D. Computer System

The District’s computerized systems are run on QBs. The accounting functions of payroll and expenditures are processed by Contra Costa County Auditor Controller Office.

E. Availability of Prior Reports and Work Papers

The District’s most recent audit was conducted by Maze & Associates, Certified Public Accountants, out of their Pleasant Hill, CA office located at 3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA 94523. The work papers of the previous audits are the property of the previous auditor and can be reviewed by the successful proposer. A copy of the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2016 is available upon request.

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

<u>Date</u>	<u>Activity</u>
Wednesday, June 21, 2017	Request for Proposal issued.
Monday, July 10, 2017	Responses to Request for Proposal due to District by 3:00 p.m.
July 24, 2017	Oral Interviews with finalists firms.

B. Date Audit May Commence

The District anticipates that the selected firm will perform preliminary audit work and internal control review within a month of the contract award. The District will have all prior records ready for review and management personnel available to meet with the firm’s personnel in the first week of August. The final phase of fieldwork is expected to be scheduled on the last two weeks of November. Changes in time requirements for commencement of work to completion of final reports must be approved by the District in advance.

C. Report Due Date

All of the final reports are due by December 31, 2017.

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

A. Rodeo-Hercules Fire District Assistance

The District staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The Fire Chief will be responsible for acting as the liaison between the audit firm and the accounting personnel.

B. Work Area, Telephone, Photocopying, and Fax Machine

The District will provide the auditor with a reasonable workspace, access to telephone lines, photocopying facilities and a fax machine.

C. Report Preparation

The auditor is responsible for preparing the financial statements, the accompanying footnotes, the final check of the number presentation and printing the final reports.

The District is open to discussions regarding the division of these activities in order to produce the most cost-effective product for both the District and the auditor. In order for the District to properly evaluate the cost of the report preparation process, your cost proposal should include report preparation as it currently occurs.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

Inquiries concerning the request for proposals and the subject of the request for proposals may be made to Kimberly Corcoran, Administrative Assistant.

An original and five (5) copies of the Response to the Request for Proposal and an electronic copy shall be received no later than 3:00 pm on Monday, July 10, 2017 for the proposal to be considered.

B. Format for Proposal

The format of the Proposal shall be as follows:

1. Title Page

Show the RFP subject, name of the audit firm, local address, telephone number, name and title of contact person, and date of submission.

2. Table of Contents

Include a clear and complete identification of the materials submitted by section and page number. Cross-referencing to section and page number in the RFP would be helpful.

3. Transmittal Letter

General introduction and brief statement of the proposer's understanding of the audit services to be performed, a positive commitment to perform the service within the time period specified, the name(s) of the person(s) authorized to represent the proposer, title, address, and telephone number.

4. Detailed Proposal

The detailed proposal should follow the sequence/format set out in Section C below.

C. Contents of Proposal

The purpose of the 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 Request for Proposal. As such, the substance of proposals will carry more weight than their 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 Proposal requirements.

The Proposal should address all the points outlined in the RFP. 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 proposal. 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 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*.

3. Business License

The independent auditor selected must possess a District of Hercules Business License before conducting any work under this contract.

4. Insurance

The selected firm shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than TWO MILLION DOLLARS (\$2,000,000) per accident.

The selected firm shall maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than TWO MILLION DOLLARS (\$2,000,000) per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement.

The selected firm will maintain the minimum insurance requirements during the entire term of their engagement. To confirm this requirement, within 15 days from the execution of the Agreement, the selected firm shall furnish the District satisfactory evidence of the insurance requirement and evidence that each carrier is required to give at least 30 days prior written notice of the cancellation of any policy during the effective period of the Agreement. The District shall be named as an additional named insured under the selected firm's policies as noted in the Agreement.

5. Firm Qualifications and Experience

a) ***To qualify, the firm must have extensive experience in audits of local governments.*** The proposer 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, 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.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

If the proposer will be subcontracting any portion of the audit to another individual or firm, the proposal must include a list of all subcontractors to be used. No substitutions of subcontractors may be made without prior written consent of the District.

b) The proposer is also required to submit a copy of the report on its most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific government engagements (required by *Government Audit Standards (2007)*).

The proposer 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 proposer 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.

- c) It is requested that the proposer provide a listing with brief descriptions of services in addition to the auditing services that the firm provides to local governmental agencies.

6. Partner, Supervisory and Staff Qualifications and Experience

- a) Identify the principal supervisory and management staff, including engagement partners, managers, and 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. 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.
- b) 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. Indicate how the quality of staff will be assured over the term of the agreement.
- c) Principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, may be changed during the course of the agreement, however, the District reserves 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.
- d) Provide information on the firm's ability to provide a reasonable continuity of staffing from one year to the next. While the District expects that some new people will be assigned to its audit, the District cannot be the training site for the firm's new employees.

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 3) performed in the last three 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. Also please indicate whether the audit was part of a Comprehensive Annual Financial Report.

Please provide a list of not less than three client references for which services similar to those outlined in this RFP are currently being provided. For each reference listed provide the name of the organization, approximate gross cost of the contract, dates for which the service(s) are being provided, type of service(s) being provided and the name, address and telephone number of the responsible person within the reference's organization. The District reserves the right to contact any or all of the listed references regarding the audit services performed by the proposer.

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 proposal.

Proposers will be 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 segment;
- c) Sample sizes and extent of the use of statistical sampling techniques;
- d) Extent of use of EDP in the engagement;
- e) Type and extent of analytical procedures to be used in the engagement;
- f) Approach to be taken in determining laws and regulations that will be subject to audit test work;
- g) Approach to be taken to gain and document an understanding of the District internal control structure; and
- h) Approach to be taken in drawing audit samples for purposes of tests of compliance.

9. Audit Firm's Expectations of the Role and Participation of District Staff in the Audit Process

As concisely as possible please describe what the firm's expectations are (time, product, work papers, etc.) of the role that the District's staff members will play in completing the audit engagement in the time frame prescribed above.

10. 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 requested from the District.

11. Report Format

The proposer should include sample formats for required reports.

12. Total All-Inclusive Maximum Price

This section should contain all pricing information relative to performing the audit engagement as described in the request for proposal. The total all-inclusive maximum price to be proposed is to contain all direct and indirect costs including all out-of-pocket expenses for the first year and the two subsequent years.

a) Rates by Partner, Supervisory and Staff

The cost proposal should include detailed information regarding the estimated number of hours to be dedicated to the District's engagement, delineated by staffing level. Attachment 'A' provides a guideline for this response. This guideline should be detailed for the proposer. In addition, provide the hourly rate for each staff position included in the hourly summary.

b) Manner of Payment

Progress payments will be made on the basis of pro-rated audit work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's proposal and agreement thereto by the District.

VII. THE EVALUATION PROCESS

All proposals that are received by the deadline will be reviewed by staff. As stated above, the proposals will be evaluated first on the completeness of the responses to section VI of this proposal, then based on those responses, the ability of the firm to perform what the District needs to have done on the audit assignment, and lastly on the fee to do the audit. While the fee is important, it is not going to be the driving force to the award of this contract. The District is more interested in the firm that can best perform the services that the District needs (as long as the fee is reasonable).

Once the evaluation is complete, the Fire Chief will recommend to the Board of Directors for approval to perform the audit for the FY 2016-17, 2017-2018 and 2018-2019.