

# HEBER PUBLIC UTILITY DISTRICT

## REPORT TO BOARD OF DIRECTORS

**MEETING DATE:** March 20, 2014

**FROM:** Laura Fischer, General Manager

**SUBJECT:** Authorize the General Manager to Solicit Proposals for Auditing Services and Appoint the Board Treasurer to Serve on the Review Committee

**ISSUE:**

Shall the Board of Directors authorize the General Manager to solicit proposals for auditing services and appoint the Board Treasurer to serve on the review committee?

**GENERAL MANAGER'S RECOMMENDATION:**

It is recommended that the Board of Directors authorize the General Manager to solicit proposals for auditing services and appoint the Treasurer to serve on the review committee.

**FISCAL IMPACT:**

It will cost approximately \$500 to advertise the Request for Proposal for auditing services. We anticipate receiving responses that will result in HPUD hiring a professional auditing firm that will cost less than previous years, thus saving money.

**BACKGROUND:**

HPUD has contracted with Hutchinson & Bloodgood since 2004 with a three year contract which was continued and renewed for additional three year period until FY 2011-12. In that Fiscal Year, HPUD staff recommended and Board approved the renewal of the contract for a single year. The renewal expired at the end of the FY 2012-13 audit.

Last Fiscal Year, HPUD expended \$27,500 for the general purpose audit and an additional \$11,500 for the single audit, which is required when over \$500,000 in Federal and/or State grant and/or loan funds are expended.

**DISCUSSION:**

It has been ten years since professional auditing services contract was secured. It is important to ensure that HPUD is getting the best services at a reasonable price and that the selection of our auditor is secured through a transparent process.

Staff has prepared the Request for Proposal for you review. The solicitation of responses to the proposal will be published in the local newspaper, placed on our website, listed with CSDA and IVEDC on their websites.

The proposals must be submitted to HPUD by April 15, 2014. The review committee will review the proposals in May and a recommendation on the award of a contract will be presented to the HPUD Board of Directors on May 19, 2014.

It is recommended that the review committee consist of the General Manager, Finance Manager and Board Treasurer.

**CONCLUSION:**

As it has been over ten (10) years since HPUD has solicited bids for professional auditing services, it is recommended that the attached Request for Proposals be approved and that the General Manager be authorized to solicit proposals for auditing services. It is also recommended that the Board Treasurer be appointed to serve on the proposal review committee.

**ALTERNATIVES:**

- 1) Do not solicit bids for professional auditing services. This will result in a renewal of our contract with Hutchinson and Bloodgood for a minimum of one year.
- 2) Made modifications to the RFP and direct staff to bring back before the Board in April. This will result in a delay in the schedule and audit for FY 2013-14.
- 3) Do not appoint the Board Treasurer to serve on the review committee. The Board can appoint any person to serve on the review committee.
- 4) Provide different direction to staff.

Respectfully Submitted,

Laura Fischer,  
General Manager

Attachment: Request for Proposal for Auditing Services

# HEBER PUBLIC UTILITY DISTRICT REQUEST FOR PROPOSALS FOR FINANCIAL AUDITING SERVICES

## I. INTRODUCTION

### A. General Information

The Heber Public Utility District (District) requests proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2014, with the option of auditing its financial statements for each of the three (3) subsequent fiscal years through fiscal year ending June 30, 2017. These audits are to be performed in accordance with generally accepted auditing standards and the standards for financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards.

There is no expressed or implied obligation from the Heber Public Utility District to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, three (3) copies of a proposal must be received by Laura Fisher, General Manager, at 1078 Dogwood Road Suite 103, Heber, California 92249, by 3:00 p.m. on April 15, 2014. The Heber Public Utility District reserves the right to reject any or all proposals submitted.

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 within the contract between the District and the firm selected.

### B. Term of Engagement

The term is for a minimum one (1) year contract. An additional three (3) renewal years is contemplated, requiring the proposer to submit prices in the proposal for the three (3) renewal terms. Renewal terms are an option exercisable by the District and may not necessarily need to go back to the Board of Directors each year.

## II. NATURE OF SERVICES REQUIRED

### A. General

The District is soliciting the services of a qualified firm of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2014, with the option to audit the District's financial statements for each of the three (3) subsequent fiscal years through fiscal year ending June 30, 2017. These audits are to be prepared in accordance with the provisions contained in this Request for Proposals.

### B. Scope of Work to be performed:

The District desires the auditor to express an opinion on the fair presentation of the District's general purpose financial statements in conformity with generally accepted accounting principles.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Government Accounting Standards Board as mandated by generally accepted auditing standards.

### C. 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, and the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards.*

### D. Reports to be issued:

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

1. A fiscal year-end financial statement;
2. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles;
3. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk ("Recommendations to Management");
4. A report on compliance with applicable laws and regulations.

**Reporting:** Auditors shall be required to report to the District on each of the following:

- (1) The auditor's responsibility under generally accepted auditing standards
- (2) Significant accounting policies
- (3) Management 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

E. Final Report

The Final Report shall be delivered in both hard copy and electronic formats. Report preparation shall be the responsibility of the Auditors, including, but not limited to, all typing of the report, footnote review, and production of the draft and final reports, and 5 copies of the final report and recommendations to management.

F. Access to Working Papers

The firm shall respond to the reasonable inquires of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance, and make copies, as needed.

III. DESCRIPTION OF THE HEBER PUBLIC UTILITY DISTRICT.

A. Contact Person

The auditor's principal contact with the District will be:  
Graciela Lopez, Finance Manager  
(760) 482-2440  
Fax (760)353-9951

B. Background Information

The Heber Public Utility District is an independent Special District organized under the Public Utilities Code provisions of the general laws of the State of California and is governed by a five-member Board of Directors elected at large by the registered voters of the District. The District is located in the Imperial County; The District provides customers

with Water, Wastewater and Solid Waste services as Proprietary Funds and also manages Parks and Recreation/Retentions Basins, and Street Lighting as a Governmental activity.

The District has three business type activities and uses the proprietary fund format to report those activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District receives property taxes for the governmental activities and uses the governmental fund format to report those activities.

The District annually receives over \$300,000 in property taxes from the County to help finance its operations.

The District receives long-term loans as well as grants from various Federal and State agencies.

The District's fiscal year begins on July 1st and ends on June 30th. The District has a FY 2013-14 operating budget of approximately \$3.1 million and a five year capital budget of approximately \$8.8 million. The District has total wages and benefits of approximately \$1.3 million covering 15 full-time employees and 5 Board of Directors.

More detailed information on the District and its finances can be found in the June 30, 2012 and 2013 Heber Public Utility District Audited Financial Statements and Independent Auditors' Report, and in the Adopted Budget for FY2013-2014. Both are available from the Heber Public Utility District at our website [www.heber.ca.gov](http://www.heber.ca.gov).

#### C. Fund Structure

The District has three Enterprise Fund, one governmental fund and one fiduciary fund.

#### D. Budgetary Basis of Accounting

The District prepares its budgets and financial statements on a basis consistent with generally accepted accounting principles.

#### E. Federal and State Financial Assistance

During the fiscal year(s) to be audited the Heber Public Utility District may have received grants from various sources. There may be additional requirements associated with these grants, specifically, but not limited to: Single Audit, Grant Specific audit. Based on your expertise, please include applicable audit procedures, reporting standards, and price quotes in the appropriate section of the proposal.

#### F. Pension Plan



#### 4. Draft Reports

The auditor shall have drafts of the audit reports and recommendations to management available for review by the Finance Committee and the General Manager by November 14, 2014. After initial amendments and corrections are made, the draft will be submitted to the Board of Directors for acceptance and comments. Any changes shall be submitted in order for the auditors to produce the final report at the next Board Meeting of the Heber Public Utility District Board of Directors.

#### E. Date Final Report is due

After the Board of Directors accepts the draft report on or about December 17, 2014, and any and all changes have been made, the final report and recommendations to management shall be delivered to General Manager, Laura Fischer, at 1078 Dogwood Road Suite 103 Heber, California 92249 by December 28, 2014.

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

A. Statements and Schedules to be prepared by staff of District as determined at the Entrance Conference.

B. Work Area, Telephones, Photocopying, and FAX Machines.

The District will provide the auditor with reasonable workspace, in our conference room. The auditor will also be provided with access to a telephone line, copy machine, and FAX machine.

### VI. PROPOSAL REQUIREMENTS

A. Submission of Proposals

The following material is required to be received by the District by 3:00PM, Wednesday, April 15, 2014, for a proposing firm to be considered:

a) A Master Copy (so marked) of a Technical Proposal and three copies to include the following:

(1) Title Page

The title page showing the Request for Proposal's subject, the firm's name; the name, address, and telephone number of a contact person; and the date of the proposal.

(2) Table of Contents

(3) 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 the best qualified to perform the engagement and that the proposal is a firm and irrevocable offer for the period being bid on.

(4) Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals, along with a Firm Dollar Cost Bid for the first year's audit and subsequent three (3) years.

(5) Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposals (Appendix C and Appendix D)

b). Proposers shall send the completed proposal to the following address:

Mrs. Laura Fischer, General Manager  
Heber Public Utility District  
1078 Dogwood Road Ste. 103  
Heber, CA. 92249

B. Technical Portion

General Requirements

The purpose of the Technical Portion is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Heber Public Utility District 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 Technical Portion 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's requirements.

The Technical Portion should address all the points outlined in the Request for Proposals. The Technical Portion should be prepared simply and economically, providing a straight forward, 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 No. 2 through 10, must be included. They represent the criteria against which the proposal will be evaluated.

1. Independence

The firm should provide an affirmative statement that it is independent of the Heber Public Utility District as defined by generally accepted auditing standards of the U.S. General Accounting Office's *Government Auditing Standards*.

In addition, the firm shall give the District written notice of any professional relationships entered into during the period of this agreement.

## 2. License to Practice in California

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

## 3. 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 the state regulatory bodies or professional organizations.

## 4. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify all staff, including the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement, what their specific tasks and functions, will be, and indicate whether each such person is registered/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 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 also should indicate how the quality of staff over the term of the agreement will be assured.

## 5. Prior Engagements with Heber Public Utility District

The firms should list separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for the District by type of engagement (i.e., audit, management advisory services, other). For each engagement, the firm should indicate the scope of work, date, engagement partners and total hours.

## 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 of 5) performed in the last five years that are similar to the engagement described in this request for proposals. 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 proposals. In developing the work plan, reference should be made to such sources of information as the District's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

## 8. Report Format

The proposal should include sample formats for required reports.

## C. Firm Dollar Cost Bid

### 1. Total All-inclusive Maximum Price

a) The firm 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. A total all-inclusive maximum price shall be shown for the FY 2013-14 engagements, as a total all-inclusive maximum price for each of FY2014-15, FY2015-16 and FY2016-17 audit years.

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

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

The firm dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix E, part 1), that supports the total all-inclusive maximum price.

3. Out-of-pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates

4. Rates for Additional Professional 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 request for proposals 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 and set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Payments will be made under the following schedule:

10% - Billed upon beginning of Field Work subsequent to the Initial Audit Opening Conference with the General Manager;

25% - Not-to-Exceed maximum for combined progress payments, to be billed no more frequently than monthly and no later than the 25<sup>th</sup> of each month;

25% - Billed subsequent to delivery of the Draft Final Statements and Recommendations to Management;

25% - Billed subsequent to delivery of Final Statements and Recommendations to Management;

15% - To be paid upon receipt of final paper/electronic copies of the reports, but no sooner than 30 days after acceptance of Final Statements and Recommendations to Management by the Heber Public Utility District Board of Directors.

VII. EVALUATION PROCEDURES

a. Proposal Committee

Proposals submitted will be evaluated by a committee.

b. Review of Proposals

The committee will review each proposal. Each member will first score each technical portion of the proposal by each of the criteria described in Section VIIc below. The committee will then convene to review and discuss these evaluations and arrive at a consensus on the firms the committee will evaluate further.

After firms are selected for further consideration, committee members will evaluate each firm's response and decide on the firm that best meets the District's needs.

c. Evaluation Criteria

The following represent the principal criteria that will be considered during the evaluation process:

i. Principal requirements

1. The audit firm is independent and licensed to practice in California.
2. The audit firm has either principal offices or subsidiary offices located within a 150 miles radius of Imperial County.
3. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
4. The firm has no conflict of interest with regard to any of the other work performed by the firm for the District.
5. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
6. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.

ii. Technical qualifications

- |                             |     |
|-----------------------------|-----|
| 1. Expertise and Experience | 40% |
| 2. Audit Approach           | 30% |
| 3. Price                    | 30% |

The District will evaluate annual as well as multi-year costs as part of its selection process.

d. Oral Presentation

During the evaluation process, the Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Committee may have of a firm's proposal. There is no requirement of the District for it to ask all firms to make such oral presentations.

e. Final Selection

The Board of Directors of the Heber Public Utility District will select a firm based upon the recommendation by the General Manager, after consultation with committee members.

It is anticipated that a firm will be selected and notified on or before May 9, 2014. Following notification of the firm selected, it is expected a contract will be executed between both parties no later than May 19, 2014.

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 the District and the firm selected.

The District reserves the right without prejudice to reject any or all proposals. The District also reserves the right to waive minor irregularities in the proposal, and to accept the proposal it considers most favorable and in the District's best interest.

g. Professional Services Agreement

The firm selected by the District to perform auditing services will be required to execute an Agreement for Professional Services.

# APPENDIX A

## June 30, 2013 Heber Public Utility District Audited Financial Statements and Independent Auditors' Report

## APPENDIX B

### LIST OF KEY PERSONNEL, OFFICE LOCATION, E-MAIL AND TELEPHONE NUMBERS

Laura Fischer General Manager <a href="mailto:lfischer@heber.ca.gov">lfischer@heber.ca.gov</a>	1078 Dogwood Road, Suite 103 Heber, CA 92249	760-482-2440
Graciela Lopez Finance Manager <a href="mailto:gracelopez@heber.ca.gov">gracelopez@heber.ca.gov</a>	1078 Dogwood Road, Suite 103 Heber, CA 92249	760-482-2445
Rafaela M. Sanchez Office Manager <a href="mailto:rmsanchez@heber.ca.gov">rmsanchez@heber.ca.gov</a>	1078 Dogwood Road, Suite 103 Heber, CA 92249	760-482-2440

# APPENDIX C

## PROPOSER GUARANTEES

1. The proposer certifies it can and will provide and make available, at a minimum all services set forth in Section II, Nature of Services Required

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_

# APPENDIX D

## PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with the State of California Laws.
- 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.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the Coastside County Water District.
- 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: \_\_\_\_\_

# APPENDIX E

## PART 1

### SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF FINANCIAL STATEMENTS

	HOURS	STANDARD HOURLY RATES	QUOTED HOURLY RATES	TOTAL
Partners		\$	\$	\$
Manager				
Supervisory Staff				
Staff				
Other (specify):				
Subtotal				
Out of pocket expenses:				
Transportation				
Production Costs of copies of Final Audit Report and Recommendations to Management (10)				
Other (specify)				
Total all-inclusive maximum price for FY 2013-14 Audit				
Total all-inclusive maximum price for FY 2014-15 Audit				
Total all-inclusive maximum price for FY 2015-16 Audit				
Total all-inclusive maximum price for FY 2016-17 Audit				

NOTE: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction for the total all-inclusive maximum price.