

Laguna Beach County Water District
Request for Proposal
For Audit Services

General Information and District Background

Laguna Beach County Water District (the “District”) is requesting proposals from qualified firms of certified public accountants to audit (single audit) its financial statements for the fiscal years ending June 30, 2023, 2024, and 2025, with options to renew for annual audits for the fiscal years ending June 30, 2026, and June 30, 2027.

Description of Laguna Beach County Water District

The District was established in 1925 as a single-purpose water district according to the provisions of the County Water District Law under Division XII of the California Water Code (Section 30000 et seq.) The District provides water service to approximately 8,700 accounts. The District’s Board of Directors is comprised of publicly elected Laguna Beach City Council members. The District’s five member Commission is appointed by the Board of Directors to serve in an advisory capacity to the Board. The General Manager of the District is Keith Van Der Maaten, who heads a staff of 38 employees. The District is organized into four departments: Administration/Customer Service, Engineering, Operations, and Finance.

The accounting and financial reporting functions of the District are centralized within the Finance Department. Annual Budgets and Audited Financial Statements contain more detail on the District and its finances and can be found on the District’s website. The District accounting records are maintained on an accrual basis and it utilizes accounting principles appropriate for an enterprise fund to record its activities. The District utilizes Abila-MIP financial software to process general ledger, accounts payable, and payroll accounting. Accounts receivable utilizes CUSI billing software. The District’s procurement process utilizes the Microix Workflow system.

General Proposal Process

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. The District reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated by District staff and interviews will be held with selected firms. The results of the proposal and interview evaluations will be presented to the District Commission at its May 2, 2023, meeting.

During the evaluation process, the District reserves the right to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. The 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 the District and the firm selected.

Proposals must be received by the District by 5:00 P.M. on March 29, 2023 to be considered. Interviews with selected firms will be held in early April. It is anticipated that the selection of a firm will be completed by the District Commission on May 2, 2023. Following notification of the selected firm, it is expected a contract will be executed between both parties no later than June 1, 2023.

Nature of Services Required

Scope of Work to be Performed

The District desires for an audit to be performed in accordance with generally accepted accounting standards. These are set forth by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts (Title 2, California Code of Regulations, Sections 1131.1 et seq.).

The auditor will express an opinion with respect to the District's financial statements based on its audit. The auditor will also evaluate the adequacy of the District's internal control system, and where weaknesses are noted, make appropriate recommendations for improvements. A management letter will be submitted by the auditor if material weaknesses are noted or if otherwise deemed appropriate. Auditors will also communicate to those in governance of the District.

The audit will cover the District's general purpose financial statements, as well as supporting documentation and schedules. The auditor will assist the District in providing more meaningful and concise financial statements by seeking improved methods of reporting.

The District will prepare components of the Management's Discussion and Analysis. The auditor will prepare the auditor's report, the basic financial statements, supporting footnotes and schedules, as well as provide appropriate assistance with respect to journal entries on relevant GASB reporting requirements, including but not limited to, GASB 68, 75, 87 and 96. The partner in charge of the audit may be asked to present the final draft audit at a District Commission meeting, where the partner shall discuss the report and related matters.

The District desires the final portion of the audit (generally, the fieldwork) to begin in mid- to late-August of each contracted year. The auditor shall submit a draft of the auditor's report, basic financial statements, supporting footnoted and schedules, management letter, and auditor's communication with governance for each year being audited no later than October 31 of each year.

Working Papers Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the District of the need to extend the retention period. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers related to matters of continuing accounting significance.

Proposal Requirements

General Requirements

1. Inquiries - Inquiries concerning the request for proposals and the subject of the request for proposals must be made by phone or email to:

Brian W. Jewett
LBCWD Manager of Finance/Treasurer
(949) 464-3105
bjewett@lbcwd.org

2. Submission of Proposals – The following materials are required for a proposing firm to be considered:

- a. An original and five (5) copies of a technical proposal should include the following:

- i. Title Page showing the request for proposal’s subject, the firm’s name, address, and telephone number of the contact person and the date of the proposal.

- ii. Table of contents.

- iii. Transmittal Letter. A signed transmittal letter 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 fiscal years ending June 30, 2023, 2024, and 2025 and option years for the fiscal years ending June 30, 2026 and 2027.

- iv. Detailed Proposal. The detailed proposal should follow the order in this request for proposals.

- v. Cost Proposal.

- vi. Executed copies of Proposer Guarantees and Proposer Warranties attached to this request for proposals (see Appendix A and Appendix B).

- b. The proposer shall submit an original and five (5) copies of the bid, including proposed fee amount, in a sealed envelope marked as follows:

Proposal for Laguna Beach County Water District
For Professional Auditing Services
Fiscal Years Ending June 30, 2023-2027

- c. Proposers should send completed proposals to:

Laguna Beach County Water District
Attn: Brian Jewett, Manager of Finance/Treasurer
P.O. Box 987
Laguna Beach, CA 92652

Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capability of the firms seeking to undertake an independent audit of the District in conformity with the requirements of this request for proposals. The technical proposal should demonstrate the qualifications of the firm and of the particular staff assigned to this engagement. It should also specify an audit approach that will meet the request of the proposal requirements.

The technical 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 Nos. 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 the District, as defined by generally accepted auditing standards. The firm should also list and describe its professional relationships, if any, 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(s).

3. License to Practice in California

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

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 where the work on this engagement is to be performed and the number 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 must also submit a copy of the report on its most recent external quality control review, along with a statement whether the quality control review includes a review of specific government engagements.

5. Partner, Supervisory, and Staff Qualifications and Experience

The firm should identify the principal supervisory and engagement staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Please indicate whether each such person is

licensed to practice as a certified public accountant in California. The firm should provide as much information as possible regarding the number, qualifications, experience and training, including continuing professional education, of the specific staff to be assigned to this engagement.

6. Similar Engagements with Other Governmental Entities

List the firm's office that will be assigned responsibility for the audit and the most significant engagements (maximum of 5) performed in the last five years, like the engagement described in the request for proposals.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit method to be followed to perform the services required in Section II of the request for proposal. In developing the work plan, reference should be made to such sources of information as the District's budget and related materials, organizational charts, manual and programs, and financial and other management information systems.

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

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. Sample sizes and the extent of statistical sampling are to be used in the engagement.
- d. The analytical procedures to be used in the engagement.
- e. Approach to be taken to gain and document an understanding of the District's 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 the District.

9. Miscellaneous

Additional or supplemental work shall be performed only if set forth in an addendum to the contract between the District and the firm.

10. Cost Proposal

The cost proposal should contain all pricing information relative to performing the audit engagement. The total all-inclusive maximum price to be bid is to contain all out-of-pocket expenses.

The District will not be responsible for expenses incurred in preparing and submitting the technical proposals or the sealed dollar cost bid. Such costs should not be included in the proposal. The cost proposal should include total all-inclusive maximum prices for each year of the three (3) year engagement and two (2), one-year options. The cost proposal should also include billing rates by Partner, Specialist, Supervisory and Staff Levels (or related personnel classification levels), and hours anticipated for each audit team member. The bid should include a schedule of professional fees and expenses that support the total all-inclusive maximum price. The cost of special services should be disclosed as a separate component of the total all-inclusive maximum pricing.

Evaluation Procedure

Proposals will be evaluated by a committee consisting of District staff members. The committee will evaluate all proposals to determine responsiveness to the request for proposal. The committee will then select two or more firms to participate in an on-site, face-to-face interview process at the District. Based on the proposal and interview process, the committee will recommend the selection of a proposer(s) to the District Commission for final recommendation. Accordingly, the committee may not necessarily select the proposer with the highest technical ranking nor the lowest all-inclusive maximum price, as selection will be based on the overall best interest of the District.

Evaluation Criteria

Proposals will be evaluated using the three main criteria (and related sub-criteria) described below. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria.

1. Mandatory Elements of Firm

- a. Independent and licensed to practice in California.
- b. No conflict of interest regarding any of the work performed by the firm.
- c. Adheres to the instructions in this request for proposals on preparing and submitting the proposal.
- d. Submittal of a copy of its last external quality control review report and the firm has record of quality audit work.
- e. Experience and performance on comparable special district engagements.
- f. 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.
- g. Adequacy of proposed staffing plan for various segments of the engagement.
- h. Thoroughness of approach to conducting the audit of the District and demonstration of an understanding of the objectives and scope of the audit.
- i. Commitment to timeliness in the conduct of the audit.
- j. Maximum fees to conduct the audit.

2. Technical Qualifications

a. Expertise and Experience

- i. The firm's past experience and performance on comparable special district 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.

b. Audit Approach

- i. Adequacy of proposed staffing plan for various segments of the engagement.
- ii. Adequacy of sampling techniques.
- iii. Adequacy of analytical procedures.

3. Fee Quote

Cost is an important but not sole factor in the selection of an audit firm.

Final Decision

It is anticipated that the District Commission will select a firm on May 2, 2023. Following notification of the firm selected, it is expected a contract will be executed between both parties no later than June 1, 2023.

APPENDIX A

PROPOSER GUARANTEES

The proposer certifies it can and will provide and make available, at a minimum, all services set forth in this proposal.

Signature of Official: _____

Name (Printed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX B

PROPOSER WARRANTIES

A. Proposer warrants it is willing and able to comply with the State of California Laws and licensed to practice in California.

B. Proposer warrants it is willing and able to obtain insurance policies of \$1,000,000 for commercial general liability, workers' compensation/employer's liability, and errors and omissions for the willful or negligent acts, or omissions of any officers, employees or agents thereof. Proposer warrants it will provide additional insured endorsements for commercial general liability and waivers of subrogation for workers' compensation/employer's liability.

C. Proposer warrants it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Laguna Beach County Water District.

D. Proposer warrants all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (Printed): _____

Title: _____

Firm: _____

Date: _____