



## **Request for Proposal (RFP)**

**To Provide Professional Auditing Services**

RFP Issued: February 9, 2021

RFP Questions Due: 5:00 pm, PST February 23, 2021

**Proposals Due: 4:30 pm, PST March 8, 2021**

Hi-Desert Water District

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Attention: Tanya Gruwell, Controller  
55439 29 Palms Highway, Yucca Valley, CA 92284  
[tanyag@hdwd.com](mailto:tanyag@hdwd.com)

# HI-DESERT WATER DISTRICT

## REQUEST FOR PROPOSALS

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# Hi-Desert Water District

## Request for Proposal – Professional Auditing Services

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### I. Introduction

The Hi-Desert Water District (District) is requesting proposals from qualified firms of Certified Public Accountants for three (3) fiscal years ending June 30, 2021 through 2023, with the option of extending the agreement for an additional two (2) year period. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* 2018 revision (Yellow Book) issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Any inquiries concerning the RFP for proposals should be addressed to Tanya Gruwell, Controller at [tanyag@hdwd.com](mailto:tanyag@hdwd.com). The RFP describes the project, the required scope of services, minimum information that must be included in the proposal, and the selection process.

### II. Nature of Services Required

#### A. General

The District is soliciting the services of qualified firms of Certified Public Accountants to audit its financial statements for three years, beginning with the fiscal year ending June 30, 2021, with the option to audit the District's financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this RFP.

The District may require ongoing infrequent consulting services for financial accounting issues throughout the year. No additional charges are to be made by the selected audit firm for these financial accounting consulting services.

#### B. Scope of Services

The District desires a Comprehensive Annual Financial Report (CAFR) for the Hi-Desert Water District to be prepared by the independent auditor in compliance with accounting principles generally accepted in the United States of America. Each year, the District is submitting its CAFR to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting Program.

The selected independent auditor will be required to perform the following tasks:

1. The audit firm will perform a financial audit of the Hi-Desert Water District. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* 2018 Revision (Yellow Book), issued by the Comptroller General of the United States of America. The audit firm will render their auditors' report on the basic financial statements which will include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The audit firm will also apply limited procedures to the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) in accordance with auditing standards generally accepted in the United States of America;
2. The audit firm will perform a single audit on the expenditures of federal awards, as required, in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The audit should be performed in accordance with the types of compliance requirements as described in the Office of Management and Budget's (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs;

3. The audit firm shall issue a separate “management letter” that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are non-reportable conditions;
4. The audit firm shall perform an agreed upon procedures to assist the District in determining compliance with certain rate coverage ratio covenants as noted in the Water Revenue Refunding Bond Agreement, Series 2013 dated April 1, 2013, between the District and the Bank of New York Mellon Trust Company, N.A. Management; and
5. The audit firm shall prepare the Annual Financial Transactions Report and submit the report to the State Controller’s Office for the District’s behalf.

### **C. Auditing Standards to be Followed**

To meet the requirements of this RFP, the audit shall be performed in accordance with:

1. Generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants;
2. The standards applicable to financial audits contained in *Government Auditing Standards* 2018 Revision (Yellow Book), issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act of 1984, as amended in 1996 (if applicable);
4. The provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, Audits of State and Local Governments (if applicable).
5. The audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance);
6. Minimum audit requirements and reporting guidelines for Special Districts pursuant to California Code of Regulations, State Controller, Subchapter 5, 1131.2, “Minimum Audit Requirements and Reporting Guidelines for Special Districts”; and
7. Statements on Standards for Attestation Engagements and Reviews of Financial Statements as set forth by Generally Accepted Government Auditing Standards and the American Institute of Certified Public Accountants.

### **D. Reports to be Issued**

To meet the requirements of this RFP, the audit shall be performed in accordance with:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles in the United States of America;
2. A report on internal control over financial reporting and on compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*;
3. A report on compliance for each major program and on internal control over compliance required by the Uniform Guidance;
4. A separate management letter report that contains two communication letters per Statement on Auditing Standards (SAS): (1) SAS 114 – Auditor’s communication with those charged with Governance letter; and (2) SAS 115 – Communicating Internal Control Related Matters Identified in an Audit; and
5. A report on applying agreed upon procedures in determining District’s compliance with certain rate coverage ratio covenants as noted in the Water Revenue Refunding Bond Agreement, Series 2013 between the District and the Bank of New York Mellon Trust Company, N.A.

#### **E. Working Paper Retention and Access**

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by the District of the need to extend the retention period. The auditor will be required to make working papers available to the District. The working papers are subject to review by federal and state agencies and other individuals designated by the District. Accordingly, the working 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 working papers related to matters of continuing accounting significance.

#### **F. District Responsibilities**

1. District staff will prepare the final closing of the general ledger and provide auditors with the District's trial balance, balance sheet and income statements for the period ending June 30, 2021, and the year thereafter. Staff will provide supporting documentation for all balance sheet accounts including aged accounts receivable and aged accounts payable, subsidiary ledgers, reconciliation of all capital asset accounts, and other necessary schedules;
2. District staff will prepare confirmation letters as requested by the auditor;
3. District staff will be available to assist the auditors by providing information, documentation, and explanations as needed;
4. District staff will be responsible for the preparation of the Management Discussion and Analysis (MD&A); and
5. District staff will provide the auditors with reasonable workspace, telephone, wireless internet, and copy machine access.

#### **G. Special Considerations**

The District will send its comprehensive annual financial report to the Government Finance Officers Association of the United States for review in its Certificate of Achievement for Excellence in Financial Reporting program. The auditor may be required to provide special assistance to the District to meet the requirements of these programs.

### **III. Description of the Government**

#### **A. Background Information**

The Hi-Desert Water District (District) was formed on December 14, 1962 and was organized under the laws of the State of California and has broad powers relative to the provision of water and sanitation service to the residents of the District. The District provides water and sewer services within a 57-square mile area located in eastern San Bernardino County which encompasses the Town of Yucca Valley in its entirety and portions of unincorporated areas of San Bernardino County. The District serves a population of over 25,000 customers through approximately 10,700 service connections. The District has a total of 12 groundwater wells, with a maximum production capacity of 6,600 gallons per minute and over 300 miles of water distribution and transmission pipelines.

The Board of Directors is governed by a five-member Board of Directors who serve overlapping four-year terms. The General Manager, who is appointed by the Board of Directors, is responsible for day-to-day operations. The District employs 44 full-time employees and an operating budget of \$10.5 million (FY 20/21).

The District provides a dependable water supply and wastewater treatment to meet our community's present and future needs in a safe, efficient, and financially responsible manner. Additional information about the District is available online at [www.hdwd.com](http://www.hdwd.com).

**B. Contact Person**

The auditor’s principal contact with the District will be Tanya Gruwell, Controller who will coordinate the assistance to be provided by the District to the auditor. The alternate contact is, Jonathan Abadesco, Assistant General Manager – Administration.

**C. Fund Structure**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a similar manner to a private business enterprise.

**D. Budgetary Control**

The Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District’s enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

**E. Accounting System**

The District’s accounting records are currently maintained through the Springbrook Accounting Software. The applications operating on this system are general ledger, accounts payable, utility billing system, purchase orders, and inventory control. The District is in the process of switching to a new Accounting and Billing Software, Caselle to replace Springbrook. The District utilizes Paychex, a cloud-based system for timekeeping and payroll.

**IV. Time Requirements**

**A. RFP Timeline**

The District anticipates the following timeline:

DATE	ACTIVITY
February 9, 2021	RFP Issued
February 23, 2021	Deadline for RFP Questions
March 1, 2021	Addendum Issued & Posted on Website (responses to questions), if applicable
March 8, 2021	Proposals Due
March 17, 2021	Interviews
April 7, 2021	Contract Awarded by the District

**B. Audit Schedule**

A similar audit schedule will be developed for subsequent fiscal years if the District exercises its option for additional audits. Each of the following shall be completed by the auditor no later than the dates indicated:

Interim Work

The Auditor shall complete all interim work by the agreed upon date.

Detailed Audit Plan

The Auditor shall provide the District, by the first week of July, a detailed audit plan and list of schedules to be prepared by the District.

Fieldwork

The auditor shall complete all fieldwork by the first week of October each year.

### Draft Reports

The auditor shall have drafts of the audit report(s) as listed under Section II.D of this RFP available for review by the fourth week of October each year.

### Final Reports

The auditor shall present the draft of the audit report(s) at the Finance/Audit Committee Meeting (second Tuesday in November) and at the Board Meeting (third Wednesday in November).

## **C. Entrance Conference, Progress Reporting and Exit Conference**

A similar time schedule will be developed for future fiscal years if District exercises its option for additional audits. At a minimum, the following conferences should be held as part of the audit process:

Entrance Conference to commence audit work  
Progress Conference  
Exit Conference

## **V. Proposal Requirements**

### **A. General Requirements**

#### 1. Questions and Requests for Clarification

Questions and requests for clarification concerning this RFP should be made no later than 5:00 PM on February 23, 2021. Inquiries (via email only) should be directed to:

Attention: Tanya Gruwell, Controller  
Email: [tanyag@hdwd.com](mailto:tanyag@hdwd.com)

#### 2. Submission of Proposals

To be considered, three (3) copies of the proposal as well as one electronic copy (via USB), must be mailed directly to Hi-Desert Water District to be received no later than 4:30 p.m. on Monday, March 8, 2021, as follows:

Attention: Tanya Gruwell, Controller  
Hi-Desert Water District  
55439 29 Palms Highway  
Yucca Valley, CA 92284

Late submissions or proposals delivered via fax or email after the deadline will not be accepted.

#### a. The Proposal must include the following:

##### 1) Title Page

Title page showing the RFP'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 qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for 90 days.

##### 4) Detailed Technical Proposal

The detailed technical proposal should follow the order set forth in Section V.B of this RFP.

##### 5) Executed copies of Proposer Warranties, attached to this RFP (Appendix C, Page 13).

## **B. Technical Proposal**

### **1. General Requirements**

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

The technical proposal should address all the points outlined in the RFP (excluding any cost information which should only be included in the dollar cost bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects from items 1b through 1f of this section, must be included. They represent the criteria against which the proposal will be evaluated.

#### **a. Independence**

The firm should provide an affirmative statement that is independent of the District as defined by generally accepted auditing standards and generally accepted auditing standards.

#### **b. 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.

#### **c. 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, number of 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.

Upon availability the firm is requested 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.

#### **d. 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 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 organization 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 and the continuity 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 prompted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the District. However, in either case, the District retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of the District which retains the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the proposer if replacements have substantially the same or better qualifications or experience.

e. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (minimum of 3) performed in the last five years that are similar to the engagement described in this RFP. These engagements should be ranked based on total staff hours.

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

f. 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.B of this RFP (i.e. proposed segmentation of the engagement; approach to be taken to gain and document an understanding of the District's internal control structure).

### C. Cost Proposal

1. Total All-Inclusive Maximum Price

The cost proposal should contain all pricing information relative to performing the audit engagement as described in this RFP.

The first page of the cost proposal should include the following information:

- a. Name of Firm;
- b. Certification that the person signing the proposal is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the District;
- c. Proposed Hours for each Audit Steps per each engagement and per each member of the audit team, as shown in Appendix A of this RFP on Page 11; and
- d. The Total All-Inclusive Maximum Price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses (provide a list). It should indicate pricing for the three (3) years, plus two (2) fiscal year options thereafter covering the audit proposal, as specified in Section II.B of this RFP. The proposal should also include a schedule of professional fees by fiscal year, as shown in Appendix B of this RFP on Page 12.

2. 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 RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the District and the firm. Any such additional work agreed to between the District and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the proposal.

## **D. Other Requirements**

### 1. Manner of Payment

Progress payments will be made based on hours of work completed during the engagement and out-of-pocket expenses incurred in accordance with the firm's cost proposal. Interim billings shall cover a period of not less than a calendar month.

### 2. Sample Contract

Provide a sample of the proposed contract for your firm's services. Please also provide samples of all other documents which will need to be entered into the related provision of the services requested in this RFP, including any documents referenced or incorporated into the contracts/agreements.

## **VI. Evaluation of Proposals**

### **A. Review of Proposals**

Proposals submitted will be evaluated by key District personnel who will first review and evaluate the technical proposal by criteria described in Section VI.B below. After the technical proposal has been reviewed and evaluated, the qualified firms will be evaluated based on cost proposal.

The District reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

### **B. Evaluation Criteria**

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposal evaluated for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

#### 1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in California;
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two (2) years;
- c. The firm has no conflict of interest regarding any other work performed by the Firm for the District; and
- d. The firm adheres to the instructions in this RFP on preparing and submitting the proposal.

#### 2. Technical Qualifications

##### a. Expertise and Experience (40%)

- 1) The firm's past experience and performance on comparable District engagements;
- 2) 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; and
- 3) In addition, upon availability, special consideration will be given to the firms submitting a copy of its most recent external quality control review report and the firm that has a record of quality audit work.

##### b. Integrity (30%)

Firm's reputation for integrity, competence, and input from the references.

##### c. Other Factors (15%)

- 1) Audit approach;
- 2) Adequacy of proposed staffing plan for various segments of the engagement;

- 3) Ability to meet timetable set forth; and
- 4) Assurance on continuity of staff
- d. Price (15%)

Cost will not be the primary factor in the selection of an audit firm.

C. Oral Presentation

During the evaluation process, the District may, at its discretion, request anyone, all, or no firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the District may have on a submitted proposal.

D. Final Selection

It is anticipated that a firm will be selected by April 7, 2021. Following notification of the firm selected, it is expected a contract will be executed between both parties by April 14, 2021.

E. Right to Select or Reject

The District reserves the right, in its sole discretion, to select the proposal which it determines will best serve the needs of the District, or to reject any or all proposals submitted, and to request additional information on all proposals.

F. Insurance

Proposer shall maintain such insurance that will protect it from claims under Workers' Compensation laws, and such liability insurance that will protect against claims for damages for bodily injury, including death, and damages to property in accordance with the terms of the Agreement. Coverage of which is to be no less than \$1,000,000/\$2,000,000 per occurrence/aggregate, with the District named as an additional insured.

The proposing firm must be willing and able to obtain an errors and omissions insurance policy for coverage of no less than \$1,000,000 per occurrence for the willful or negligent acts of the firm and its officers, employees, and agents. Proposer shall maintain evidence of coverage in an updated form during the term of the Agreement.

**VII. General Terms and Conditions**

A. Limitation

This RFP does not commit the District to award a contract, or to procure or contract for services or supplies. There is no expressed or implied obligation for the District to reimburse responding firms for any expenses incurred in preparing their proposal in response to this RFP.

B. Information Disclosure to Third Parties

Proposals are a matter of public record and are open to inspection under the California Public Records Act. If any respondent claims any part of its proposal is exempt from disclosure and copying, they shall so indicate in the transmittal letter. By responding to this RFP, respondents waive any challenge to the District's decision in this regard.

If any proposal contains confidential information, the respondent shall clearly label and stamp the specific portions that are to be kept confidential. The respondent is urged to identify the truly confidential portions of the RFP and not simply mark all or substantially all response as confidential.

Notwithstanding the foregoing, respondents recognize that the District will not be responsible or liable in any way for losses that the respondents may suffer from the disclosure of information or materials to third parties.

C. District Rights and Options

The District, at its sole discretion, reserves the following rights:

1. To determine which respondents, if any, shall be included on a short list of semi-finalists based on the criteria set forth in the RFP;
2. To reject any, or all proposals or information received pursuant to this RFP;
3. To supplement, amend, substitute or otherwise modify this RFP at any time by means of written addendum;
4. To cancel this RFP with or without the substitution of another RFP or prequalification process;
5. To request additional information;
6. To verify the qualifications and experience of each respondent;
7. To require one or more respondents to supplement, clarify or provide additional information in order for the District to evaluate proposals submitted;
8. To use any techniques or concepts included in the submitted proposal regardless of firm's selection; and
9. To waive any minor defect or technicality in any proposal received.

**APPENDIX A**

**PROPOSED HOURS FOR EACH ENGAGEMENT**

Described in this RFP, Section V.C.1.c:

**Hi-Desert Water District**  
Financial Statement Audit  
Schedule of Hours

<b>Audit Steps</b>	<b>Partner</b>	<b>Manager</b>	<b>Staff</b>	<b>Total</b>
Planning				
Control Testwork				
Substantive Testwork				
Reporting				

**APPENDIX B**

**TOTAL ALL-INCLUSIVE MAXIMUM PRICE**

Described in this RFP, Section V.C.1.d:

**Hi-Desert Water District**  
 All-Inclusive Maximum Price Bid  
 Schedule of Professional Fees by Hours

<b>Fiscal Year 2021 Audit of:</b>	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
District's Basic Financial Statements (CAFR)			
Partner		\$	\$
Manager			
Supervisor			
Senior			
Staff			
Total Financial Statement Audit for 2021	<u>-</u>		\$ <u>-</u>
Out-of-Pocket Expenses			<u>-</u>
Total Maximum for 2021			\$ <u><u>-</u></u>
<b>Other Items Asked to be Priced by the District:</b>	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Single Audit (if applicable)			\$
Preparation of the District's Financial Transactions Report to the State Controller's Office			
Special Engagement - Agreed Upon Procedures			
Total Other Items for 2021	<u>-</u>		\$ <u>-</u>
Total All-Inclusive Maximum Price with Other Items for 2021	<u><u>-</u></u>		\$ <u><u>-</u></u>

**APPENDIX C**

**PROPOSER WARRANTIES**

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.

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.

Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the District.

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

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

Name: \_\_\_\_\_

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

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

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