



LOCAL AGENCY FORMATION COMMISSION
550 Main Street, Suite E. Placerville, CA 95667
(530) 295-2707 · lafco@edlafco.us · www.edlafco.us

REQUEST FOR PROPOSALS FOR AUDIT SERVICES

I. INTRODUCTION

General Information

The El Dorado Agency Formation Commission (LAFCO) is seeking proposals from qualified independent Certified Public Accounting firms to audit the LAFCOs' financial statements for the fiscal years ending on June 30, 2020, June 30, 2021 and June 30, 2022, with an option to extend to the fiscal years ending in June 30, 2023 and June 30, 2024. The audits are to be conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

There is no expressed or implied obligation for LAFCO to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, a proposal must be received by José C. Henríquez, Executive Officer, El Dorado Local Agency Formation Commission, 550 Main Street, Suite E, Placerville, CA 95667, on or before January 17, 2020 (5:00 p.m.). LAFCO reserves the right to reject any or all proposals submitted.

During the evaluation process, LAFCO reserved the right, where it may serve its best interest, to request additional information or clarifications from responders, or to allow corrections of errors or omissions. At the discretion of LAFCO, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

LAFCO 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 is 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 LAFCO and the firm selected.

It is anticipated the selection of a firm will be completed by the end of February, 2020.

Following the notification of the selected firm, it is expected a contract will be executed between all parties no later than February/March 2020. A three-year contract with a two-year extension option is contemplated. The two-year renewal option will be subject to review by LAFCO and the firm and satisfactory negotiation of terms (including a price acceptable to LAFCO and the selected firm).

Creation of LAFCOs

Following the end of World War II, California entered a new era of demographic growth and diversity and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions (LAFCOs) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a LAFCO. LAFCOs are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations and annexations. Each LAFCO operates independently from one another in terms of funding, day-to-day operations and staffing; however, most LAFCOs collaborate with one another on important business matters that do not directly impact their core operations, such as staff development, education and training.

LAFCO Staffing and Budget

El Dorado LAFCO is a seven-member commission, consisting of the following: Two members from the El Dorado County Board of Supervisors, two members from city councils, two members from special district boards of directors and one member from the public at large. Each category has an alternate Commissioner who serves in the absence of the regular member. Staff to El Dorado LAFCO includes an Executive Officer, up to two full-time administrative employees, and legal counsel. El Dorado LAFCO also utilizes consultant assistance on a limited basis to supplement staff efforts.

Funding for El Dorado LAFCO operations is primarily funded by the County, the two cities and 47 independent special districts, with each governmental category contributing a third. Although the County of El Dorado contributes one-third of the LAFCO funding, LAFCO is an independent agency and its budget is not subject to County approval. There are other sources of revenue to LAFCO in addition to the agency contributions, the two largest funding sources being applicant fees and interest revenue.

- LAFCO's annual operating budget is approximately \$500,000
- LAFCO receives a single annual revenue source to fund nearly all its operations for the entire fiscal year
- The County of El Dorado and the California Special Districts Association, through contract, provide all employee benefits
- LAFCO is staffed by a total of up to three full-time employees. Legal counsel is contracted to Best, Best & Krieger.

II. SCOPE OF THE WORK TO BE PERFORMED AND STANDARDS TO BE FOLLOWED

LAFCO desires that its General Purpose Financial Statements (GPFS) to be prepared by an independent auditor and be fully compliant for GASB #34 and 68 for the fiscal years ending June 30, 2020, June 30, 2021 and June 30, 2022.

The following is a summary of the scope of the audit for the years ending June 30, 2020, 2021 and 2022:

1. The audit firm will audit LAFCO in each fiscal year, focusing on the fiscal years' respective funds. Each audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. LAFCO's General Purpose Financial Statements (GPFS) will be prepared and word processed by the audit firm. The GPFS will be in full compliance with GASB #34 and 68. The audit firm will render its auditors' report on the basic financial statements, which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A), if applicable, and required supplementary information pertaining to the General Fund and each major fund of LAFCO.
2. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control that are considered to be non-reportable conditions.

LAFCO staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, compiling and refilling of supporting documents and reconciliations of major asset and liability balances. LAFCO staff may prepare the MD&A. All other information and financial statements are the responsibility of the audit firm.

All working papers and reports are to be retained at the auditor's expense for a minimum of three years. The audit firm will be responsible for making working papers available to LAFCO or any government agencies included in the audit of federal grants.

III. TIMETABLE OF DELIVERABLE REPORTS

The audit firm shall be responsible for the preparation and word processing of the following financial statements:

<u>Report Description</u>	<u>Number of Copies</u>	<u>Due date</u>
GPFS 2019-20	1 photo ready	March 31, 2021
GPFS 2020-21	1 photo ready	March 31, 2022
GPFS 2021-22	1 photo ready	March 31, 2023

A draft copy of each financial statement should be delivered to the LAFCO Executive Officer for review approximately 10 days prior to the deadlines noted above.

IV. TIMETABLE OF AUDIT WORK TO BE PERFORMED

LAFCO's books for each fiscal year close approximately in September and are ready for audit soon thereafter. The audit fieldwork should begin no earlier than this date and be complete no later than March 31 the following year.

V. PROPOSAL REQUIREMENTS

The following material is requested to be received by the proposal due date or the firm will not be considered:

1. **Title Page** - The title page shall show the proposal subject, the firm's name and contact person and the firm's California CPA License Number and Federal Identification Number.
2. **Cover Letter** - The cover letter should briefly state the auditing firm's understanding of the work to be performed, the commitment to perform the work in the required time frame and statements as to why the firm believes it is best qualified to perform the engagement. The cover letter should also make a statement that the firm's offer is a firm, irrevocable offer for 60 days. The cover letter should indicate whether the firm is independent with respect to LAFCO and that the firm is an Equal Opportunity Employer.
3. **Table of Contents**
4. **Proposer's Qualifications** - The audit firm should set forth the following:
 - A. **Qualifications and Related Experience of the Personnel Who Will Serve LAFCO** - Resumes of the Partner, Manager and Senior Auditor should be included. Resumes should include all relevant experience, education and CPA licenses and continuing education of the individuals over the past three years.
 - B. **Prior Experience Auditing Cities, Independent Special Districts, LAFCOs and Other Local Governments** - Sufficient information should be provided regarding current local government audit clients and date that the client has been served. Information should be provided regarding clients that the firm serves that have received the CSMFO and GFOA awards.
 - C. **Assistance in Implementation of GASB #34 or Other GASB Pronouncements** - Set forth your understanding of this accounting pronouncement and provide information on clients that you have assisted to-date in implementing GASB #34 and #68, and if applicable, GASB #45 and #75.
 - D. **References of Local Government Clients** - Provide a listing of public agency clients for which the firm's local office serves.
 - E. **Capabilities in General Consulting and Compliance Auditing** - Provide any other information regarding general consulting and special audits provided by the firm.

5. Approach, Scope and Timing of the Audit

A. Provide, in sufficient detail, the firm’s approach to the LAFCOs’ audit, including procedures to be performed, tasks to be accomplished under GASB #34 and 68, tasks required as a part of the A-133 single audit, the use of statistical sampling, the utilization of computers on the audit engagement, analytical procedures that may be used, the consideration of laws and regulations, assistance required from LAFCO staff and proposed segmentation of the audit. Segmentation of the audit should include breakdown of hours required to perform the audit by classification and in total for the planning and interim, GASB #34 implementation, final audit procedures including CAFR and reports preparation.

B. Provide sufficient information of the firm’s understanding of the objectives and scope of the engagement - Specifics should be provided of the auditing standards to be followed and reports to be issued by the audit firm.

6. Maximum Fee and Hourly Rates - The maximum fees and estimated hours for the audit of each LAFCO should be provided in the following format for fiscal years ending on June 30, 2020, 2021 and 2022. The fees should be inclusive of any out-of-pocket expenses incurred by the audit firm:

A. Description of Services - Audit of LAFCO, including GASB #34 implementation and ongoing audit procedures for GASB #34, GASB Preparation and Management letter.

Not to Exceed Maximum Fee (Including Expenses) for the fiscal year ending June 30, 2020 \$_____ 2021 \$_____ 2022 \$_____

Optional: June 30, 2023 \$_____ 2024 \$_____

B. Hourly Rates of the Firm’s Employees should be provided by the firm for services that may be requested outside the scope of the audits as follows:

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$ _____
Manager	_____
Senior Accountant	_____
Staff Accountant	_____

C. Travel (if applicable)

7. Other Information Required in Proposal - The auditing firm shall provide a copy of its most recent Peer Review together with the California Society of CPAs’ acceptance of such peer review. The auditing firm shall make a positive statement that it has the required insurance policies in force in amounts of coverage for not less than \$1,000,000 for Professional Liability, Workers Compensation, Comprehensive General Liability and Auto (Owned and Non-Owned). Prior to any commencement of audit services, the selected firm will be required to provide certificates of insurance coverage to LAFCO.

VI. EVALUATION CRITERIA

Proposals will be evaluated based upon their response to the provisions of this Request for Proposal. The following criteria will be used to evaluate responses to this proposal:

1. The firm's licensing, independence with respect to LAFCO and results of most recent peer review (mandatory requirements)
2. Qualifications and Related Experience of the audit team who will serve LAFCO (Partner, Manager and Senior Auditors)
3. Experience of the firm auditing California cities or other public agencies
4. Prior experience of the engagement team in implementation of GASB #34 and #68
5. Reference of local government clients
6. Thoroughness of approach to conducting LAFCO's audit
7. Demonstration of the understanding of the objectives and scope of the audit
8. Commitment to timeliness in the conduct of the audit
9. Maximum fees to conduct the audit

Items 2 through 8 will represent 80% of the weight of the evaluation criteria. Item 9 will be assigned a 20% weighting in the overall evaluation. Although cost is a factor, the Executive Officer is under no obligation to award the project to the consultant offering the lowest price.

El Dorado LAFCO also reserves the right to adjust its timeline as it deems necessary. Notification of adjustments to the timeline shall be provided to all respondents.

VII. OTHER INFORMATION

Firms are encouraged to contact José C. Henríquez, Executive Officer, at (530) 295-2707 with any questions relating to this RFP.