



# SCOTTS VALLEY WATER DISTRICT

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## **Request for Proposals for Auditing Services**

RFP Issue:  
**March 5, 2024**

Term of Engagement:  
**July 1, 2024 – June 30, 2027**

Proposals Due:  
**4:00 PM  
April 22, 2024 \***

**\*Extended on 3/27 at which time no proposals had been received**

Issued By:  
**Scotts Valley Water District  
2 Civic Center Drive  
Scotts Valley, CA 95066**

## **I. INTRODUCTION**

Scotts Valley Water District ("SVWD" or "District") is requesting proposals from qualified certified public accounting firms for the preparation of financial and compliance audit reports for the fiscal year ending June 30, 2024 and the two subsequent fiscal years. The Request for Proposals is expected to result in a firm fixed price contract. All proposals must be submitted to the District via email by 4:00 PM on Monday, April 22, 2024. All proposals must be in the format specified, and clearly identified with proposal title, name of proposer, and date of proposal closure. Responding firms shall be solely responsible for any expenses incurred in preparing proposals in response to this request.

## **II. BACKGROUND**

Scotts Valley Water District is a California Special District, established in 1961 to provide water service to residents of the City of Scotts Valley and several unincorporated neighborhoods in Santa Cruz County. Scotts Valley is located 6 miles north of Santa Cruz on Highway 17. The District has approximately 4,500 connections with 3,931 potable water, 429 fire service, and 66 recycled water connections in a service area of six square miles and a population of 11,800.

The Fiscal Year 2024 (FY 2024) Adopted Budget of \$14.5 million consists of an Operating Budget of \$6.8 million, Debt Service budget of \$1.1 million, and Capital Budget of \$6.6 million. The District is organized into 3 divisions: Administration, Operations, and Finance/Customer Service; and employs 19.5 full-time positions. Total annual payroll is approximately \$3.4 million. Employees participate in the California Public Employees Retirement System (PERS). The District is governed by a five-member board of directors elected at-large from within the District's service area. The Board of Directors meet on the second Thursday of each month and the public is duly notified and encouraged to attend.

The District's accounting records are maintained on an accrual basis. Accounting policies and procedures conform to generally accepted accounting principles. The accounting records of the District are maintained utilizing Springbrook (utility billing, general ledger, accounts payable, accounts receivable, purchasing, project management) and ADP (payroll) to record all accounting transactions and produce reports.

The City has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the past three years. The District desires to continue preparing reports which will merit receipt of these awards each year.

More detailed information on the District and its finances can be viewed and downloaded at: <https://www.svwd.org/Documents>. Nigro & Nigro, PC of Murrieta, California conducted the District's most recent audit.

## **III. SCOPE OF SERVICES**

### **A. Purpose**

The District is requesting proposals from qualified independent certified public accountants. To meet the requirements of this request for proposals, the audit shall be conducted in accordance with generally accepted auditing standards; Government Auditing Standards; the Single Audit Act Amendments of 1996 (the Single Audit Act); the provisions of the Office of Management and Budget (OMB) Circular A-133, Audits of

States, Local Governments, and Non-Profit Organizations; OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments; OMB Circular A-87; the State Controller's Minimum Audit Requirements for California Special Districts; and applicable laws and regulations. The District will be accepting proposals from independent certified public accounting firms of "recognized ability and standing" that are licensed to practice in the State of California to be engaged as External Auditors of the operations of the District.

B. Auditor Responsibilities

The District's goal is to provide the public and its constituents with a comprehensive annual financial statement that provides complete, accurate, and understandable information about the District's financial condition. The selected auditor will be required to prepare an Annual Comprehensive Financial Report (ACFR) that addresses the following tasks:

- 1) Audit the District's basic financial statements in accordance with the provisions of section "A." above. Independent Auditor's Reports for the District on the fair presentation of the financial statements in conformity with GAAP based upon audits of the Basic Financial Statements of the District.
- 2) Express an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of the District and the changes in financial position in conformity with generally accepted accounting principles (GAAP) and issue an independent auditors' report stating this opinion.
- 3) Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters and issue a report on their consideration. Management and Statements on Auditing Standards (SAS) 114 Letters, which include findings, statements, observations, opinions, comments, or recommendations related to: systems of internal control; compliance with applicable laws and regulations; and accounting systems functions, procedures and processes.
- 4) Apply limited procedures related to the Required Supplementary Information (RSI), Management's Discussion and Analysis (MD&A), budgetary comparison information, and the Supplementary Information.
- 5) Conduct an exit interview with District management to discuss relevant findings and proposed audit adjustments prior to final report.
- 6) Deliver administrative draft audit reports and draft management letters (if deemed appropriate) to District management prior to final report.
- 7) Meet and discuss draft audit reports and draft management letters with District management and the Finance and Personnel Committee of the Board of Directors.
- 8) Provide an electronic version of the final audit report plus one (1) unbound copy and five (5) hard bound copies for the District, five (5) hard bound copies for agency distribution, delivered seven (7) days prior to the next regularly scheduled meeting of the Board of Directors after audit completion.

- 9) Present and discuss annual financial statements and results of operations to the Board of Directors at the next regularly scheduled Board meeting after audit completion.
- 10) Communicate immediately, and in writing, all irregularities and illegal acts, or indications of illegal acts, of which they become aware, to the Finance and Personnel Committee of the Board of Directors.
- 11) Prepare and electronically submit the State Controller's Annual Report of Financial Transactions of Special Districts by the required due date.
- 12) Prepare and provide to District for timely submittal the Federal Return of Organization Exempt Report (Form 990) and the California Exempt Organization Annual Information Return (Form 199).
- 13) If required, prepare Single Audit Report.
- 14) Provide general consultation as required, during the year, on financial accounting and reporting matters.
- 15) Support the submittal for the Government Finance Officers Association (GFOA) for the "Certificate of Achievement for Excellence in Financial Reporting". The Districts reports have earned this award since Fiscal Year 2020 and anticipates that it will continue to send its ACFR to GFOA for review in this program. The format of reports shall allow the District to meet the requirements of that program. This also requires that the Auditor ensure that the audit report and financial statements are complete in time for submission to GFOA. The Auditor shall also assist with developing responses to any comments or deficiencies noted by GFOA.
- 16) Retain at auditor's expense audit working papers for three (3) 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 reasonable inquiries of the District, and successor auditors, and allow the District and successor auditors to review working papers relating to matters of continuing accounting significance.

C. District Responsibilities

- 1) District staff will prepare the final closing of the general ledger and provide the auditors with the District's trial balance, balance sheet and income statements for the period ending June 30, 2024. Staff will provide supporting documentation for all balance sheet accounts including aged accounts receivable and aged accounts payable, subsidiary ledgers, and a reconciliation of all fixed asset accounts.
- 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's Discussion and Analysis (MD&A).
- 5) District will provide the auditors with reasonable workspace and telephone, wireless internet and copy machine access.

D. Term of Engagement

It is the intent of the District to contract for the services presented herein for a term of three (3) years for the fiscal years ending June 30, 2024, 2025 and 2026. At the option of the District, the auditing engagement may be extended for two (2) additional one-year periods by written amendment. The contract may be terminated or suspended by the District as provided in the Professional Services Agreement (Attachment A). The final selection and award will be made by the Scotts Valley Water District Board of Directors.

E. RFP Timeline

SVWD anticipates the following timeline:

RFP Issuance	March 5, 2024
Deadline for RFP Questions	April 10, 2024
<b>Proposals Due</b>	<b>No later than 4:00pm on April 22, 2024</b>
Interviews with selected Proposers	May - TBD
Board recommendation	June 13, 2024
Contract awarded by District	June 14, 2024

F. Proposal Requirements

The proposal must be concise, well organized and demonstrate the firm's qualifications. Responses shall follow the format outlined below.

- 1) Firm Qualifications and Experience  
The proposal should state the size of the firm, the size of the firm's audit staff, and the location of the office from which the work on this engagement is to be performed.
- 2) On Site Supervisory and Staff Qualifications & Experience  
The firm should identify the number and responsibility levels of staff assigned to the engagement by name and role 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 auditing experience of each person, and more specifically, the governmental auditing and bond reporting experiences of each person.
- 3) Similar Engagements with Other Government Entities  
List the most significant engagements performed in the last three years that are similar to the engagement described in this request for proposal, including the annual percentage of the firms audit practice that is for governmental entities. Indicate the names and contact information of the principal client contacts.

- 4) Total All-Inclusive Maximum Price  
The cost estimate should contain all pricing information relative to performing the audit engagements as described in this request for proposal. The all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses. The proposal should indicate pricing for the three (3) years covering the audit proposal. The proposal should also include a schedule of professional fee rates by partner, specialist, supervisory and staff level. Invoices are to be based on actual costs incurred up to the maximum price.
- 5) 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 proposal 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 by the District's General Manager. 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 included in this proposal. A written contract amendment will be required for any such additional work that necessitates an increase in the maximum contract price.
- 6) Proposal Costs  
The District is not liable for any costs incurred by a proposer in responding to this request, attending an interview, or for any other activity prior to award of the contract to the selected proposer.
- 7) 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 and all proposals submitted, and to request additional information on all proposals.

### **III. ADDITIONAL PROVISIONS**

- A. Progress billings will be accepted on work completed during the course of the engagement for up to 75% of the total fee prior to the submission of the audited financial statements and their acceptance by the District Board of Directors. Interim billings shall cover a period of not less than a calendar month.
- B. Either party may terminate the audit contract at any time by giving not less than thirty (30) days prior written notice of such termination. If services are terminated the District will pay auditors for all work completed. Nothing herein shall be deemed a limitation upon the District's right to terminate for cause or otherwise to pursue such legal or equitable rights or remedies which may accrue to the District hereunder.
- C. The District will make every effort to administer the proposal process in accordance with the terms and dates discussed in this RFP. However, the District reserves the right to modify the proposal process and dates as it deems necessary.

#### **IV: QUESTIONS AND REQUESTS FOR CLARIFICATION**

Questions and requests for clarification concerning this RFP should be made no later than 4:00 PM on April 10, 2024. Inquiries should be directed to:

Scotts Valley Water District  
2 Civic Center Drive  
Scotts Valley, CA 95066  
Attention: Nick Kurns, Finance Manager  
Email: [nkurns@svwd.org](mailto:nkurns@svwd.org)

#### **V. SUBMISSION OF PROPOSAL**

All proposals must be emailed directly to Scotts Valley Water District to be received no later than 4:00 P.M. on Monday, April 22, 2024. Late submissions after the deadline or proposals delivered via fax or email will not be accepted. Submit one (1) electronic copy (PDF is preferred) to [nkurns@svwd.org](mailto:nkurns@svwd.org).

#### **VI. EVALUATION OF PROPOSALS**

Proposals will be examined for compliance with all requirements specified in this RFP and those that do not comply will be subject to disqualification without further consideration. In evaluating the proposals and selecting the successful firm, the District will consider the firm's qualifications and experience, as well as cost. While pricing is important, it should be noted that the lowest cost proposal **is not** a guarantee of selection for audit services. Evaluation of the proposals will take into account specialized experience and technical competence, references, firm's size, structure and location and ability to meet the District's requirements.

#### **VII. FINAL SELECTION**

The District staff and the Finance and Personnel Committee of the Board of Directors will review all proposals submitted and will request an interview with selected firms. The District will send written notification to those firms selected for an interview, which will take place at the District's offices in April. The District staff will present a report to the Board of Directors for consideration at its June 13, 2024 regular meeting. It is anticipated the Board of Directors will make the final selection at that meeting.

#### **ATTACHMENTS**

Attachment A: District Professional Services Agreement

Thank you for your interest in working with the District for this service. We look forward to receiving your proposal.