


**ROSS VALLEY FIRE DEPARTMENT
STAFF REPORT**

For the meeting of: March 13, 2013

To: Board of Directors
From:  Roger Meagor, Fire Chief
Subject: Contract of Independent Audit Services

RECOMMENDATION:

That the Board direct staff to proceed with the Request for Proposals (RFP) process with the goal of securing a contract with a new audit firm.

BACKGROUND:

In 2008 Ross Valley Fire entered into a three-year contract with Odenberg, Ulakko and Muranishi (OUM) to provide independent audit services. In 2010 the Board approved an extension to the audit contract for two additional fiscal years, which have ended with the presentation of the 2011-12 audit report.

DISCUSSION:

Many organizations believe that it is prudent to change audit firms every 5 years, not because of any dissatisfaction but rather to maintain the objectivity necessary to ensure a truly independent opinion. In addition, a new firm provides the opportunity to obtain fresh perspectives from different financial professionals.

Staff has prepared a draft RFP for the Boards consideration.

Attachment: Draft RFP for Independent Audit Services

AGENDA ITEM # 30
Date 3/13/13

INTRODUCTION:

The Ross Valley Fire Department is requesting proposals for auditing services from public accounting firms with experience in performing audits for cities, towns, and public agencies.

Proposals are to be submitted by 5pm on April 5, 2013, to:

Ross Valley Fire Department
Attention: JoAnne Lewis, Administrative Assistant
777 San Anselmo Ave.
San Anselmo, CA 94960

GENERAL INFORMATION:

The Ross Valley Fire Department (RVFD) is a JPA (Joint Powers Authority) with a Fire Board and Executive Officer form of administration. The Fire Board consists of eight members (The Towns of Fairfax, Ross and San Anselmo, and the Sleepy Hollow Fire Protection District). Six of the eight voting board members are appointed Town Council members from the Towns of Fairfax, Ross and San Anselmo, two each; the Sleepy Hollow Fire Protection District appoints two of their board members to the RVFD Board. The Ross Valley Fire Department JPA was created on July 1, 1982. It was amended on July 1, 2012 to include the Town of Ross.

The RVFD jurisdiction covers approximately 9 square miles, with 32 full time employees. Our volunteer force ranges from 15-20. Our budget for FY 2012-13 is \$8.3 million. Our funding is obtained, per Joint Powers Agreement, from the member agencies. The RVFD also receives outside revenues in the form of contracts for service. The department operates an Operating account and a Payroll account. RVFD also has an account with LAIF (Local Agency Investment Fund) for the investment of idle cash.

RVFD uses QuickBooks Pro 2013 for its financial software. Approximately 900 invoices are processed per year and deposits vary per month. The contribution payments from the Towns are directly deposited into the RVFD Operating Account by Town personnel. Deposits are made by the Administrative Assistant approximately every two weeks. These deposits consist of fees collected for inspections, plan reviews, reimbursements, and various other items.

RVFD utilizes the modified accrual basis of accounting for all RVFD funds. The fiscal year ends on June 30, 2013. Copies of the RVFD's Audit Report and Adopted Budget for the current year are available upon request.

RVFD utilizes Payroll Systems, LLC for its payroll services. The payroll information is posted to Quickbooks after each payroll period is processed.

SCOPE OF WORK TO BE PERFORMED

❖ Perform an audit of the financial transactions for the Ross Valley Fire Department

The audit of the RVFD is to be conducted in accordance with generally accepted auditing standards covering financial and compliance audits developed by the American Institute of Certified Public Accountants and those set forth in the Industry Audit Guide for "Audits of State and Local Government Units." Auditors should also satisfy the audit requirements set forth in the Standards for Audit of Government Organizations, programs, activities, and functions developed by the Comptroller General of the United States (GAO), including the Single Audit Act requirements.

❖ Prepare all the financial statements included within the Auditor's Report of Examination

The Auditor's Report will provide general purpose financial statements with notes as well as combining statements for supplemental information for the purpose of additional analysis.

Preparation of all financial statements is the responsibility of the auditor. RVFD staff shall be available to assist the auditor in obtaining information required and to verify worksheets, schedules, trial balances, and all financial reports prepared by RVFD staff. Typical computer generated reports include: Budget vs. Actual Report; Revenue Report with detail; Expenditure Report with detail; Trial Balance Report; and Journal History.

❖ Issue the Auditor's opinion as to whether:

1. The financial statements of the Ross Valley Fire Department present its financial position and operations in accordance with Generally Accepted Accounting Principles (GAAP).
2. The RVFD practices those internal accounting and control procedures necessary for the proper management of Local, State, and Federal Financial Assistance programs.
3. The RVFD complies with laws and regulations that may have a material effect on its financial statements and on each major federal assistance program, if any, in accordance with OMB Circular A-128.

❖ Issue a management letter

The auditor shall also prepare a management letter which shall include findings, statements, observations, opinions, comments, and recommendations with regard to the above.

ITEMS TO BE QUOTED SEPARATELY

- ❖ Single Audit Act compliance, if necessary.**

PROPOSED LENGTH OF CONTRACT:

The RVFD sees to engage an audit firm for a three (3) year contract to cover 2012-2013, 2013-2014, and the 2014-2015 fiscal years. An option to renew the contract for an additional two years is desirable.

PROPOSAL EVALUATION CRITERIA

All proposals will be evaluated for eligibility using the following criteria:

1. Experience: The auditor's experience within the past five years in governmental auditing of cities and towns in the State of California.
2. Competence/Education: The qualifications of personnel who will actually be working on and coordinating the audit, including the firm's ongoing efforts to keep its staff current and knowledgeable in governmental accounting procedures.
3. Personnel Policies: Auditor's experience in complying with applicable Federal, State and local regulations relating to nondiscrimination and equal opportunity employment.
4. Reputation: The firm's general experience and reputation in the auditing and accounting field, including references; reputed availability for consultation during the contract year; reputation for response to evidence of wrongdoing.
5. Cost of Services.

TERMS AND CONDITIONS

1. **Extension of Agreement:** The entity reserves the option to extend the initial 3-year term of the contract for audit services negotiated with the successful proposer for up to an additional two year(s), if mutually agreeable to both entity and audit firm.

2. **Cancellation of Agreement:** The contract shall provide that the entity reserves the right to cancel the contract at any time upon ninety (90) days' written notice of its intent to terminate the contract. The audit firm shall provide the entity at least ninety (90) days' prior notice of its intent to terminate the contract. A decision to terminate the audit contract will not result from another firm offering a lower fee for the performance of audit services during the contract period.

3. **Payment:** All proposals shall set forth the hourly rates of those persons conducting the audit and a maximum total amount of hours and compensation for reviewing all financial records outlined in this scope of work. Fees shall be specified for a three-year engagement beginning with the 2011-2012 fiscal year and ending with the 2013-2014 fiscal year, and the two year optional extension ending with the 2015-2016 fiscal year.

A cost breakdown by year and individual audit is requested, and firms should indicate the factors upon which any increase in annual fees is based. The entity desires that total cost estimates be stated as a flat fee or on a "not to exceed" basis. Attendance at all meetings of the entity relating to matters concerning the audit shall be considered part of the proposal amount.

The entity will make monthly progress payments for the percentage of work completed. For purposes of internal cost accounting, all billings must detail the time expended on each phase of the audit program.

4. **Extraordinary Services:** All proposals shall contain provisions to the effect that in the event extraordinary circumstances warrant more intensive and detailed services beyond the scope of work as outlined in the contractual agreement, the firm shall provide, in writing and in advance, the reasons for the additional services together with the firm's estimate of cost.

5. **Personnel Changes:** Proposals shall include a statement by the firm as to its plan and commitments relative to providing a continuity of personnel with governmental background. The entity is seeking at least 51 percent continuity in personnel on its auditing team. The entity reserves the right to request replacement of any members of the auditing team prior to and during the course of the audit if circumstances warrant it. Similarly, the entity requests that it be notified and consulted in advance of any changes made by the auditing firm concerning the makeup of the auditing team. The on-site senior of the audit team should have had a minimum of three years' experience in the governmental accounting and auditing fields.

6. Insurance Requirements:

(a) The firm agrees that the services performed by them are in the capacity of an independent contractor and not as an officer, agent or employee of the entity.

(b) The firm must agree to have and maintain, for the duration of the Agreement, a Commercial General Liability insurance policy insuring firm to an amount not less than One Million Dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

(c) The firm must agree to have and maintain for the duration of the Agreement an Automobile Liability insurance policy insuring its owners and staff to an amount not less than Five Hundred Thousand Dollars (\$500,000) combined single limit per accident for bodily injury and property damage.

(d) Consultants shall have and maintain a Professional Liability insurance policy insuring him/her and his/her staff to an amount not less than One Million Dollars (\$1,000,000) for injuries arising out of the rendering of services or the failure to render services under this Agreement.

(e) The firm must provide to the entity all certificates of insurance with original endorsements reflecting coverage required by this section. Certificates of such insurance shall be filed with the entity on or before commencement or performance of this Agreement. The entity reserves the right to require complete, certified copies of all required insurance policies at any time.

(f) Any firm utilizing the services of a secondary consultant in the performance of this Agreement shall either provide the required insurance(s) for the type of service being provided by the secondary consultant or provide evidence acceptable to the entity demonstrating that the secondary consultant has in effect the required insurance(s).

(g) Deductibles and Self-Insured Retentions. Any deductibles or self-insured retention must be declared to and approved by the entity. At the option of the entity, either the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the entity, its officers, officials, employees and volunteers, or Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

7. Time requirements: Proposers should include an affirmative statement of their ability and commitment to meet the following audit schedule:

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| (a) Interim audit work: | May or June |
| (b) Final audit work: | September or October |
| (c) Completion of financial statements: | October |

- (d) Presentation of final report to governing body: November Board Meeting

SUBMITTAL FORMAT

All firms shall submit three copies of their proposal organized in the following manner:

1. **Title Page:** Show the name of the entity to which the proposal is being made, the name of the audit firm, local address, telephone number, the name of the contact person, and the date of the submittal.
2. **Introduction/General Information/Types of Clients:** Briefly introduce your firm, indicating whether your firm is local, regional, national, or international. Identify the location of the office from which the work is to be done. Provide a short profile of the firm and staffing levels. Include the name of the persons who will be authorized to make representations for and to bind the firm, their titles, addresses, and telephone numbers. Include an affirmative statement that the firm and all assigned key professional staff are properly licensed to practice as certified public accountants in California. Indicate your firm's type of clients at the local office and any other useful information.
3. **Proposed Services to be Provided:** Explain fully your firm's strategies and work plan to fulfill the services outlined in the entity's SCOPE OF WORK TO BE PERFORMED.
4. **Terms and Conditions:** Explain your firm's ability to meet the Terms and Conditions of the contract as listed above.
5. **Costs:** Specify costs as outlined in the Terms and Conditions section above.
6. **Resumes:** Submit resumes of those individuals conducting the audit and designate the level of the individual.
7. **References:** Submit 3 references from Northern California public agencies for which you have conducted audits within the past 5 years. Include your most recent peer review opinion letter.