Request for Proposals

Audit Services

January 2, 2019

Douglas County Lake Tahoe
Sewer Authority

Post Office Box 578

Zephyr Cove, NV 89448

IS ISSUING THIS REQUEST FOR PROPOSALS (RFP) FOR FURNISHING THE SERVICES DESCRIBED HEREIN.

Inquiries should be addressed to Paula East-Janicki, Controller, pke@dcsid.com.

Complete proposals must be received at the address shown above by 5**:00 PM PST on January 31, 2019.**

The Authority reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Any contract awarded will be awarded to the auditor, who, based upon evaluation of all proposals, is determined to have submitted the best proposal, considering both technical factors and cost.

I. General Information

A. Purpose

The purpose of this Request for Proposals is to establish a contract for the professional services of a Certified Public Accountant (the "auditor") for the financial and compliance audits. ***The contract period shall be for a period of*** five consecutive fiscal years beginning with the fiscal year ended June 30, 2019, and ending with the fiscal year ended June 30, 2023, with an option for two additional one year terms, subject to annual review by the Authority.

B. Anticipated Schedule of Events

The timetable for this RFP is presented below:

Activity	Target Date
Issue Request for Proposals	January 3, 2019
Proposals due by 5:00 PM PST	January 31, 2019
Approval and Award	March 20, 2019

II. Authority and Records Information

Authority and Records Information

1. The Douglas County Lake Tahoe Sewer Authority is a governmental entity formed under NRS Chapter 335. It is governed by a five (5) member Board of Trustees. The Authority provides all of the wastewater treatment for the Lake Tahoe portion of Douglas County, Nevada. The Authority collects wastewater from its In-District users in Stateline, Nevada and provides treatment to wastewater collected by the other four general improvement districts in the area. In that regard, the Authority sets rates for its In-District users and assesses charges for treatment to the participating districts. The total Authority budget for fiscal year 2019 is slightly more than $5 million. The Authority currently has 13 full time employees and 5 Board members who are treated for payroll purposes as employees. The fiscal year runs from July 1 through June 30 and Grant Thornton has performed the annual audits for the past fifteen years at least.

2. The Authority maintains an enterprise fund, relying on rates to support its operational activities. Internally, the enterprise fund segregates its monies into General, Plant Repair and Construction Funds as identified by its Ordinance. The modified accrual method of accounting is used for all transactions. All enterprise funds are accounted for on a flow of economic resources measurement focus.

3. Complete budget records exist with estimated revenues and expenses in the accounting records. The Authority has one primary checking account, an investment checking account, monies on deposit with the Local Government Investment Pool, and certificates of deposit laddered with 20 different institutions brokered by Wells Fargo.

4. a. Written policies and procedures manuals exist for some accounting functions.
   a. The Authority currently uses Cyma accounting software.
   b. The Authority has no Audit Review Committee and no formal internal audit program exists.
   c. The Authority's accounting department is staffed by the Controller and an Accounting Clerk.
   d. Records are complete.

5. Prior year's audit reports, management letters, financial statements and budgets are available.

6. There are no sub-recipient entities or related records to be audited.

7. Grant Thornton performed the most recent audit for the year ending June 30, 2018 and issued an unqualified opinion. All previous audit workpapers will be available for inspection and are located at Grant Thornton , LLP, 100 West Liberty Street, Suite 770, Reno, NV 89501.

8. The following staff is available to assist by providing information and explanations: Controller Paula East-Janicki and Accounting Clerk Ying Johnson.

   a. Staff will also be available to prepare schedules, reproduce documents, pull documents, etc.

b. Internal auditing or reporting is not available.
c. The data processing staff, equipment, and generalized user software is available for auditing purposes. The current accounting system is Cyma.
d. Legal counsel is available.

9. The Controller, Paula East-Janicki will issue representation letters for contingent liabilities, potential litigation, etc., if required.

10. All interfund and interdepartmental reconciliations will be made.

11. The Douglas County Lake Tahoe Sewer Authority's Administrative Office at 1 Sewer Plant Road/Highway 50, Zephyr Cove, Nevada 89448, is the location of available work areas, equipment and is where access to most records will be available.

Prior year audited financials are available upon request at pke@dcsid.com.

III. Statement of Needs

A. Audit Requirements

The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, promulgated by the American Institute of Certified Public Accountants (AICPA) ***and in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. If a Single Audit is required as a part of the annual audit, the audit shall be performed in accordance with American Institute of Certified Public Accountants (AICPA) Standards, Government Auditing Standards, the Single Audit Act Amendments of 1996, and the Office Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.***

The Audit shall be designed to accomplish the following objectives:

1. ***To determine whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison, in conformity with accounting principles generally accepted in the United States of America.***

2. ***To obtain an understanding of the five components of internal control that is sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. Because an audit of a government's financial statements is based on opinion units, the auditor's consideration of internal control in assessing the risk of material misstatement should address each opinion unit. The auditor should obtain a sufficient understanding by***

performing risk assessment procedures to (a) evaluate the design of controls and (b) determine whether they have been implemented. The auditor should use such knowledge to identify types of potential misstatements; consider factors that affect the risks of material misstatement; and design tests of controls, when applicable, and subsequent procedures. In acquiring an understanding of and assessing internal control, the auditor should consider computer controls as well as the controls over manual portions of the system.

3. ***To plan and perform the audit to obtain reasonable assurance about whether the financial statements, including note disclosures, are free of material misstatement, whether caused by error or fraud, and material misstatements arising from illegal acts that have a direct and material effect on the determination of financial statement amounts. Illegal acts are defined in auditing standards as violations of laws or governmental regulations. Although not explicitly stated in auditing standards, the phrase "laws and governmental regulations" generally has been interpreted to implicitly include the provisions of contract and grant agreements. The AICPA Codification of Statements on Auditing Standards, Section AU 317 requires the auditor to consider laws and regulations that are generally recognized by auditors to have a direct and material effect on the determination of financial statement amounts. The Auditor's responsibility to detect and report misstatements resulting from illegal acts having a direct and material effect on the determination of financial statement amounts is the same as that for misstatements caused by error or fraud. In addition, the auditor should be aware of the possibility that illegal acts that may, in particular circumstances, be regarded as having material but indirect effects on financial statements may have occurred. If specific information comes to the auditor's attention that provides***

evidence concerning the existence of possible illegal acts that could have a material indirect effect on the financial statements, the auditor should apply audit procedures specifically directed to ascertaining whether an illegal act has occurred.

4. ***To provide reasonable assurance of detecting material misstatements that result from violations of provisions of contracts or grant agreements that could have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. If specific information comes to the auditor's attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the financial statements, the auditor should apply audit procedures specifically directed to ascertaining whether such violations have occurred. If during the course of the audit, auditors become aware of abuse that could be quantitatively or qualitatively material to the financial statements, the auditor should apply audit procedures specifically directed to ascertain the potential effect on the financial statements or other financial data significant to the audit objectives.***

5. ***To evaluate whether the Authority has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements. Auditors should use this information from previous engagements in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.***

6. ***To ensure that audit documentation is prepared in sufficient detail to provide a clear understanding of the nature, timing, and extent of auditing procedures performed to comply with generally accepted government auditing standards and other applicable standards and requirements; the results of the audit procedures performed and the audit evidence obtained; the conclusions reached on significant matters; and that the accounting records agree or reconcile with the audited financial statements. Auditors should also document, before the audit report is issued, evidence of supervisory review of the work performed that supports findings, conclusions, and recommendations contained in the audit report.***

7. ***To determine whether the authority complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on each major program. With regard to internal control over compliance, the auditor is required to do the following (in addition to meeting the requirements of Government Auditing Standards): (1) perform procedures to obtain an understanding of internal control over federal programs that is sufficient to plan the audit to support a low assessed level of control risk for major programs, (2) plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and (3) perform tests of internal***

control (unless the internal control is likely to be ineffective in preventing or detecting noncompliance).

B. Preparation of Financial Statements

The auditor will provide all required financial statements, all required supplementary schedules and statistical schedules. Authority accounting staff will fill in the amounts for the statements and schedules for the auditor. These will be the auditor's basis for the preparation and completion of all financial statements and all required supplementary schedules, notes to the financial statements and statistical schedules. Authority staff will provide the information included in the Management's Discussion and Analysis.

C. Reporting and Delivery Requirements

The auditor will prepare the required audit reports ***including those required by Government Auditing Standards and Office of Management and Budget Circular A-133 and (if applicable) the Official Code of Nevada Annotated at the completion of the audit.***

1. ***a. Standard report on the financial statements.***
   Reference should be made that the audit was conducted in accordance with generally accepted government auditing standards. In the same or in separate report(s), the auditor should include a description of the scope of the auditor's testing of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. Auditor should state in the report whether the tests performed provided sufficient, appropriate evidence to support an opinion on the effectiveness of internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements. When auditor reports separately (including separate reports bound in the same document) on internal control over financial reporting and on compliance with laws and regulations and provisions of contracts or grant agreements, they should state in the financial statement audit report that they are issuing those additional reports.

   b. Report on Internal Controls. Control deficiencies identified during the audit that upon evaluation are considered significant deficiencies or material weaknesses under the American Institute of Certified Public Accountants' Codification of Statements on Auditing Standards, Section AU 325 must be communicated in writing to management and those charged with governance as a part of each audit, including significant deficiencies and material weaknesses that were communicated to management and those charged with governance in previous audits, and have not yet been remediated. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The report should include a description of the scope of the auditor's testing of internal control over financial reporting and compliance with

laws, regulations, and provisions of contracts or grant agreements. The auditor should report, as applicable to the objectives of the audit, and based upon the audit work performed, (1) significant deficiencies in internal control, identifying those considered to be material weaknesses; (2) all instances of fraud and illegal acts unless inconsequential; and (3) violations of provisions of contracts or grant agreements and abuse that could have a material effect on the financial statements.

c. ***Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. This report should include an opinion (or disclaimer of opinion) on whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program, and where applicable, refer to the separate schedule of findings and questioned costs. The report on internal control related to major programs should describe the scope of testing of internal control and the results of the tests and, where applicable, refer to the separate schedule of findings and questioned costs.***

d. ***In accordance with OMB Circular A-133, the auditor's report(s) may be in the form of either combined or separate reports. The auditor's report(s) shall include an opinion (or disclaimer of opinion) on whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion (or a disclaimer of opinion) on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole. Auditors should follow the guidance contained in the American Institute of Certified Public Accountants' Audit Guide: Government Auditing Standards and Circular A-133 Audits.***

e. ***In accordance with OMB Circular A-133, a schedule of findings and questioned costs is required and should include the following three sections: (1) a summary of the auditor's results; (2) findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards; and (3) findings and questioned costs for federal awards.***

2. ***One electronic copy in an agreed upon format*** of each of the above reports are required.

3. A written management letter should be used to communicate violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential; the management letter should also communicate information about ways to improve operational efficiency and effectiveness or otherwise improve internal control or other policies or procedures (other than those for which communication is required by generally accepted auditing standards or Government Auditing Standards). If the management letter contains items required to be communicated to officials by auditing standards, the auditor should refer to the management letter in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. ***It is important to note that the schedule of findings and questioned costs should include all audit findings required to be reported under OMB Circular A-133; a separate communication (such as a management letter) may not be used to communicate such matters.***

4. The auditor must offer recommendations for appropriate corrective action for each item reported in accordance with AICPA Statement on Auditing Standards No. 112; ***or included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards or in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133***; or contained in the management letter.

5. Any other reports required shall be submitted to the Authority upon request.

6. A preliminary draft of all reports shall be submitted to the Authority prior to their release. The Authority will review and approve the release of all draft reports. Draft reports should be submitted to ***Paula East-Janicki, Controller, pke@dcsid.com.***

7. The auditor shall send copies of the reports listed above directly to ***Paula East-Janicki, Controller, Post Office Box 578, Zephyr Cove, NV 89448.***

IV. Proposal Preparation and Submission Requirements

A. General Proposal Preparation Requirements

1. Proposal Preparation

a. Proposals shall be signed by an authorized representative of the auditor.

b. Proposals shall be prepared simply and economically, providing a straightforward, concise description of capabilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.

c. The proposal shall be bound in a single volume and relate solely to the response to the RFP.

d. Ownership of all data, materials and documentation prepared for and submitted to the Authority in response to the RFP shall belong exclusively to the Authority and will be considered a record prepared and maintained or received in the course of operations of a public office or agency and subject to public inspection.

2. Oral presentation: Auditors who submit a proposal in response to the RFP may be required to give an oral presentation of their proposal to the Authority representatives. This provides an opportunity for the auditor to clarify or elaborate on the proposal. This is a fact finding and explanation session only and does not contemplate or authorize negotiation. Oral presentation is an option of the Authority in its sole discretion at the Authority's request.

3. Costs incurred to prepare a proposal are solely those of the proposer. Nothing contained within this RFP is indicative of an intent by the Authority to reimburse the proposer, in whole or in part, for any costs associated with preparation, submission, or presentation of proposals.

B. Specific Proposal Preparation Requirements

Proposals shall be as thorough and detailed as possible so that the Authority may properly evaluate the auditor's capabilities to provide the required services. The proposal must include the following information:

1. The proposer is properly licensed for public practice as a certified public accountant.
2. The proposer meets the independence requirements of the Government Auditing Standards issued by the Comptroller General of the United States.
3. The auditor's staff working on or associated with the engagement must meet the continuing education requirements of the Government Auditing Standards.
4. The auditor does not have a record of substandard audit work

Failure to meet these mandatory criteria will result in immediate rejection of the entire proposal and no evaluation of the remainder of the technical component or of the cost proposal will be made.

Proposal should also include the following:

1. A description of the auditor's firm rendering the proposal, including whether the firm is international, national, regional, or local; the number of years in business; and the number of employees in the local office.

2. Experience in providing the services described herein, including relevant knowledge of and experience in applying applicable federal and state regulations.

3. Biographies, including experience of the individuals who will be assigned to the engagement, relevant experience of each in performing financial and compliance audits of entities similar to the Authority, and recent (past 24 months) continuing professional education of each individual assigned to the engagement.

4. A work plan to accomplish the scope defined in Section III of the RFP, including information on the timing of field work, and any overview and start up work that would be required in the first audit year. Include the approximate date the audit will begin and end for the first year, as well as approximate dates for delivery of the required reports. The work plan must include time estimates for and identification of each significant segment of the work and the staff level to be assigned.

5. The proposal should identify and describe anticipated audit problems (if any), the firm's approach to resolving these problems, and any special assistance that will be requested from the Authority.

6. For the firm's office that would be assigned responsibility for the audit, list the most significant audit engagements performed in the last three (3) years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partner(s), total hours, and the name and telephone number of the client contact.

1. Cost Component of Proposal

The following information must be included in a separate section, of the proposal, marked "Cost Proposal":

- Total hours required to complete the engagement for each year by personnel levels (i.e., total hours for partner, manager, supervisor, senior and junior).
- Total fees for audit services for each year.
- An amount of professional services, in hours, allowed each year without additional cost to the Authority. Such services will not be directly related to the annual audit.

A separate cost proposal is required for each year of the contract period specified in Section VII, Part E of this Request for Proposals.

V. Evaluation and Award Criteria

The following factors will be considered during the evaluation:

A. Technical Factors

1. Responsiveness of the proposal in clearly stating an understanding of the work to be performed, including making all required statements and affirmations. The following elements will be considered:
   Appropriateness and adequacy of proposed procedures.
   Necessity of procedures.
   Reasonableness of time estimates.

Appropriateness of assigned staff levels.
Timeliness of projected completion.

2. Technical experience of the firm.

3. Qualifications of staff, including recent pertinent continuing education.

B. Cost Factors

Although cost is a significant factor, it will not be the dominant factor. Cost will be given more importance when all the other evaluation criteria are relatively equal.

Please direct questions about this RFP to Paula East-Janicki, Controller at pke@dcsid.com.