



Eastern Sierra Transit Authority (ESTA)

Request for Proposal for: Financial Audit Services

Due Date: March 21, 2018 at 4:00 pm to the attention of:

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*Proposals that are received after the due date and time will not be considered.
Respondents should submit a complete proposal, clearly marked on the Subject line as:
"Financial Audit Services Proposal".*

I. **INTRODUCTION:**

A. **General Information**

The Eastern Sierra Transit Authority (“ESTA”) is requesting proposals (RFP) from qualified certified public accounting firms to perform professional auditing services for a three-year period beginning with the fiscal year ending June 30, 2018 for the Eastern Sierra Transit Authority with the option of extending the contract for two (2) additional three-year periods. The contract may be canceled if ESTA determines the audit services to be unsatisfactory.

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 and the U.S. Office of Management and Budget (OMB) Circular A-133 Audits of State and Local Governments and Non-Profit Organizations and State of California Transportation Act and the California State Controller’s Office.

There is no expressed or implied obligation for ESTA to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et set.), unless exempt. Additionally, ESTA reserves the right to reject any or all proposals submitted.

ESTA 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 indicates 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 ESTA and the firm selected.

To be considered, please submit an **electronic copy (pdf format)** of your proposal by 4:00 p.m. on Wednesday March 21, 2018 to:

kbentley@estransit.com

The subject line of the email must read “Financial Audit Services Proposal”. A hard-copy of the proposal is not requested.

II.

A. **Background Information**

It is the intent of ESTA to contract for the services presented herein for a term of three (3) years. ESTA reserves the right to extend the term of this contract for two (2) additional three-year terms subject to the satisfactory negotiation of

terms, including a price acceptable to both ESTA and the selected firm (“Outside Auditor”). The proposal package shall present all inclusive audit fees for each year of the contract term.

Fees shall include costs for each year including the two additional three-year options. An itemized cost break down shall be submitted for the Principal and any additional staff. ESTA requires the total costs be stated as a “not to exceed” basis. The “not to exceed” fee shall be inclusive of labor, travel, report preparation, printing, and all other expenses incurred by the Outside Auditor.

Fees shall be billed monthly based on work completed. Payments will be made in arrears. ESTA shall reimburse the Outside Auditor as promptly as practical after receipt of acceptable invoices which detail the expenses and the period for which payment is requested.

The Inyo County Auditor-Controller (Auditor-Controller) provides accounting services for ESTA and the Inyo County Treasurer serves as ESTA’s Treasurer. The Auditor-Controller’s office facilitates ESTA audits by providing services such as gathering data, managing the contract, providing communications between ESTA and the Outside Auditor and generally overseeing the audit process.

B. Prior Auditors

Fechter & Company has performed the previous financial audits for ESTA. PMC has performed the Triennial Performance Audit.

III. NATURE OF SERVICES REQUIRED

A. Scope of Work

Prepare annual financial statement and compliance audits for fiscal years, 2017/2018, 2018/2019 and 2019/2020.

The audit will include the following:

- Preparation and submission of the Transit Operators Financial Transactions Report (State Controller’s Report) for ESTA.
- Report on compliance over financial reporting based on an audit of financial statements performed in accordance with the statutes, rules and regulations of the California Transportation Development Act. ESTA desires the firm to audit all funds of the agency 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.

Additional Requirements:

The audit and all reports shall conform to all California Code of Regulations (CCR), Public Utilities Code (PUC), the Government Code and all State and/or Federal rules and regulations that are applicable to ESTA.

The selected Outside Auditor will be required to complete the following tasks in relationship to the Basic Financial Statements:

1. Express an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of ESTA and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditors' report stating this opinion.
2. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*.
3. Apply limited procedures related to the Required Supplementary Information (RSI), Management's Discussion and Analysis (MD&A), budgetary comparison information, and the Supplementary Information.
4. Prepare Report to Board of Directors and Management that identifies control deficiencies, significant deficiencies and material weaknesses, if any, and your recommendations for improvements in accounting and administrative controls.
5. If necessary, prepare a single audit in compliance with OMB A-133.
6. Communicate immediately and in writing all irregularities and illegal acts, or indications of illegal acts, of which they become aware, to the ESTA Executive Director and the County of Inyo Auditor-Controller.
7. Retain at Outside Auditor's expense audit working papers for three (3) years, unless the firm is notified in writing by the Auditor-Controller of the need to extend the retention period. In addition, the firm shall respond to reasonable inquiries of the Auditor-Controller and successor Outside Auditors and allow the Auditor-Controller and successor Outside Auditors to review working papers relating to matters of continuing accounting significance.
8. Provide general consultation as required, during the year, on financial reporting matters.

IV. TIMING AND OTHER REQUIREMENTS

1. Key Dates for Proposal Evaluation and Selection:

- a. Wednesday, Feb. 28, 2018 RFP issued
- b. Wednesday, March 21, 2018 Proposals due
- c. Friday, April 13, 2018 Board of Directors approval of proposals
- d. By April 30, 2018 Expected signing of Contract

2. Project Schedule for Fiscal Year Audit (Year ending June 30, 2018)

1. The Outside Auditor shall provide the Inyo County Auditor Controller with an audit plan, including a list of schedules and other work requested, no later than August 31, 2018.
2. Depending on the type and extent of interim audit procedures, the Inyo County Auditor Controller expects to have all records, prepared by client lists and schedules ready for the audit field work by mid-October and would expect field work to commence no later than the third week of October.
3. The Outside Auditor shall complete field work in time to allow preparation of the draft financial statements and discussion of the draft statements with Inyo County Auditor-Controller staff by December 31, 2018.
4. A draft of the management letter shall also be provided by December 31, 2018. ESTA staff shall have the opportunity to discuss and comment upon any findings and recommendations prior to issuance.
5. Final Draft Financial Statements. The Report to the ESTA Board of Directors and Management is required to be submitted to the Auditor-Controller by January 10, 2019 to enable management to respond and present the Report with management's responses to ESTA's Board of Directors. The final draft financial statements are to be submitted as an electronic file (pdf).
6. The final audited financial statements shall be issued in electronic format (pdf) no later than March 1, 2019. The final version of the management letter shall be issued by March 1, 2019.
7. Additionally, the Outside Auditor will prepare the Transit Operators Financial Transactions Report for the State Controller's Office and submit this including a copy of your auditor's report to the Auditor-Controller and the State Controller by the required deadlines for each year.

A similar schedule will be developed for audits of subsequent fiscal years.

3. **Assistance Provided to the Outside Auditor**

County of Inyo Auditor-Controller staff will be available during interim and audit field work to assist the firm by providing access and direction to information, documentation, and be available for explanations of all inquiries. Staff will provide clerical assistance for preparation of confirmations and other routine correspondence. The County of Inyo Auditor-Controller or the ESTA Executive Director will be responsible for the preparation of the Management Discussion and Analysis (MD&A).

ESTA and the County of Inyo Auditor-Controller will provide the Outside Auditors with reasonable workspace, phone, wireless internet access and copy machine.

4. **Additional Services**

If it should become necessary for ESTA to request the Outside 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 ESTA and the Outside Auditor. Any such additional work agreed to between the County of Inyo Auditor and the Outside Auditor shall be performed at the same rates set forth in the schedule of fees and expenses included in the Proposal Data Sheet and the contents of the Technical Proposal.

5. **Payment**

Progress payments will be made on work completed during the course of the engagement. Interim billings shall cover a period of not less than a calendar month.

V. **Proposal Requirements**

A. **Format of Technical Proposal**

1. Title page

- a) the RFP subject,
- b) the proposing firm's name,
- c) contact person's name, local address, telephone number, and email address. If the firm has more than one office, state which office will be responsible for providing services to ESTA, and
- d) the date of submission.

2. Table of Contents

- a) identification of material submitted, by section and page number, and
- b) cross reference to section and page number of RFP.

3. Transmittal Letter

- a) general introduction stating the proposer's understanding of the services to be provided,
- b) a positive commitment to perform the service within the time period specified,
- c) a statement why the firm believes itself to be best qualified to perform the engagement,
- d) a statement of how long you have been in business and how many financial audits were performed by your firm for public agencies during the past five (5) years,
- e) a statement that the proposal is a firm and irrevocable offer for the stated period of time,
- f) name(s) of person(s) authorized to represent the proposer, title, address, telephone number, email address and
- g) signature.

4. Detailed Proposal Following the Order Set Forth in Section B

B. Contents of Technical Proposal

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

The Technical Proposal should address all the points in the order outlined in the RFP. 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 areas detailed below must be included. They represent the criteria against which the proposal will be evaluated.

1. License to Practice in California

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in California.

2. Independence

The firm should provide affirmative statement that it is independent of County of Inyo Auditor-Controller and ESTA as defined by generally accepted auditing standards and the US General Accounting Office's *Government Auditing Standards*.

The firm should also list and describe the firm's professional relationships involving ESTA and/or the County of Inyo Auditor-Controller for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give ESTA written notice of any professional relationships entered into during this period of this agreement.

3. Insurance Requirements

See attached sample of Outside Auditor Contract and insurance requirements. State the firm's ability or inability to comply with these insurance requirements.

4. Firm Qualification and Experience

To qualify, the firm must have extensive experience in audits of local governments as well as experience with the preparation of basic financial statements in compliance with generally accepted auditing standards, Minimum Audit Requirements and Reporting Guidelines for Special Auditors as required by the State Controller's Office and Governmental Accounting Standards Board (GASB) requirements.

The proposal should briefly introduce your firm, indicating whether your firm is local, regional, national, or international. 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, and the number and nature of the 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. Indicate the name of the person who will be authorized to answer questions and to bind the firm, the person's title, address, email and telephone number.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

If your firm participates in a peer review or quality review program provide the year, month and result of the most recent review and submit a copy of

the report on the firm's most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific government engagements (required by *Government Audit Standards*).

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, 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.

5. Engagement Partner, Manager/Supervisor and Staff Qualifications and Experience

Identify the senior-level staff, including engagement partner and manager/supervisor, who would be assigned to this engagement on an on-going basis. Indicate whether these individuals have CPA licenses to practice in California. Please provide information on the governmental auditing experience of these individuals, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit. ESTA reserves the right to approve or reject any replacements in the senior level staff participating in the Outside Auditor's audit.

Staff consistency is a very important consideration.

Include resumes of those individuals supervising the audit.

6. Specific 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 III of this RFP.

a) proposed segmentation of the audit work:

1. What will be accomplished during interim and what at year end?
2. What other contact can the Outside Auditor expect during the year related to the audit engagement?

b) expectations of ESTA and Auditor-Controller staff:

1. What documents and working papers are expected to be provided by ESTA and Auditor-Controller staff during interim and year end work? Please provide sample Prepared by Client

(PBC) lists and schedules for each section of the audit field work.

c) proposed time frame for each segment of audit work:

1. What is the anticipated length of field work for interim and year end work?
2. What is the standard turnaround time from end of field work, to senior level review, to final draft, to partner review, to audit report issuance?

d) planned number of hours on the engagement for each level of auditing staff.

e) sample size and the extent to which statistical sampling is to be used in the engagement.

f) type and extent of use of software in the engagement.

g) type and extent of analytical procedures to be used in the engagement.

h) approach to be taken to gain and document an understanding of ESTA's internal control structure.

i) approach to be taken in determining laws and regulations that will be subject to audit test work.

j) approach to be taken in drawing audit samples for purposes of tests of compliance.

7. Identification of Anticipated Potential Audit Problems

The proposer should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be required from the Auditor-Controller.

8. References

Please provide the name of all cities, counties and special Auditors for which the firm has audited basic financial statements during the past five (5) years. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partner, total hours.

Please include reference contact information for at least three of these agencies, including the name, telephone number and email address of the principal client contact. ESTA reserves the right to contact any or all of the listed references.

11. Additional Information Required

What additional information would you require from ESTA and/or the Auditor-Controller, if you were selected to provide audit services, before you accepted the engagement?

12. Price

A complete estimate and explanation of fees is to appear in the text of your response in addition to the estimates contained on the proposal data sheet. A Total All-Inclusive Price is to be provided for the preparation of the financial statements and preparation and submittal of required reporting for each of the three years of the 2018-2021 engagement. The cost for the preparation of a Single Audit, if required, should be proposed separately and should not be included in the All-Inclusive Price. Indicate how additional years fees would be calculated if the contract is extended. Please provide a list of fees for additional services that may be requested in relation to this audit.

All proposals shall contain provisions to the effect that in the event that extraordinary circumstances warrant more intensive and detailed services beyond those 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 costs, and a statement that no work will be performed without advance approval by the Auditor-Controller. Any and all additional work as agreed in advance by the Auditor-Controller shall be compensated for at the same rate quoted in the schedule submitted in the proposal.

VI. EVALUATION PROCEDURES

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

1. Mandatory Elements:

- a. The audit firm is independent, insured and licensed to practice in California.

- b. The firm has no conflict of interest with regard to any other work to be performed for the Auditor-Controller or ESTA.
- c. The firm adhered to the instructions in the RFP.

2. Technical Quality:

a. Expertise and Experience

- i. The firm has substantial past experience in performing the required audits on government agencies comparable to the ESTA.
- ii. The quality and stability of the firm's professional staff to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation is acceptable to ESTA.
- iii. In addition, special consideration will be given to firms submitting a copy of their most recent external quality control review report and the firm that has a record of quality work.

b. Audit Approach:

- i. The firm provided proposed plans for the various segments of the engagement which are acceptable to ESTA.
- ii. The firm presented a thorough understanding of the objectives, scope and issues for this type of engagement.
- iii. Adequacy of proposed staffing plan.
- iv. Adequacy of sampling techniques.
- v. Adequacy of analytical procedures.
- vi. The firm is committed to the timeliness in the conduct and completion of the audit.

3. Price

- a. Evaluation of the maximum fee to conduct the audit. Price will not be the primary factor in selection of an audit firm.