



LAFCO

Local Agency Formation Commission for San Bernardino County

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Established by the State of California
to serve the Citizens, Cities, Special Districts
and the County of San Bernardino

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Public Member

KIMBERLY COX, Vice Chair
Special District

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Special District

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SUNIL SETHI
Public Member

ACQUANETTA WARREN
City Member

STAFF

KATHLEEN ROLLINGS-McDONALD
Executive Officer

SAMUEL MARTINEZ
Assistant Executive Officer

MICHAEL TUERPE
Project Manager

REBECCA LOWERY
Clerk to the Commission

LEGAL COUNSEL

CLARK H. ALSOP

March 21, 2016

Subject: Reissue of Request for Proposal

Dear Sir or Madam:

The Imperial, Los Angeles, Orange, Riverside, and San Bernardino Local Agency Formation Commissions (LAFCO) are seeking proposals from qualified independent Certified Public Accounting firms to audit the financial statements of each LAFCOs for the fiscal year ending June 30, 2016, June 30, 2017, June 30, 2018, and June 30, 2019. An option to extend the contract for an additional one year will be considered for firms preparing a superior response.

LAFCOs are state-mandated local governmental agencies charged with the responsibility of making difficult decisions on proposals for new cities, special districts, spheres of influence, and annexations. Each county in California is required to have a LAFCO. Imperial, Los Angeles, Orange, Riverside and San Bernardino LAFCOs each have a 7 to 9 member commission. Each of the LAFCOs employs between 4 to 8 full-time staff members.

If your firm is interested in being considered for this opportunity, please submit five copies of a proposal, following the instructions described in the attached Request for Proposal (RFP), no later than **May 2, 2016**. If you have any questions regarding the RFP, please do not hesitate to contact me by email at smartinez@lafco.sbcounty.gov or by phone at (909) 388-0489.

Sincerely,

Samuel Martinez
Assistant Executive Officer
LAFCO for San Bernardino County

Attachment (1)

**IMPERIAL, LOS ANGELES, ORANGE, RIVERSIDE, AND SAN BERNARDINO LOCAL
AGENCY FORMATION COMMISSIONS**

**REQUEST FOR PROPOSAL
FOR AUDIT SERVICES**

I. INTRODUCTION

General Information

The Imperial, Los Angeles, Orange, Riverside, and San Bernardino Local Agency Formation Commissions (LAFCO) are seeking proposals from qualified independent Certified Public Accounting firms to audit the financial statements of each LAFCO for the fiscal year ending June 30, 2016, June 30, 2017, June 30, 2018, and June 30, 2019. An option to extend the contract for an additional one year will be considered for firms preparing a superior response. Audit reports would be prepared each of the four years – one for Imperial LAFCO, one for Los Angeles LAFCO, one for Orange LAFCO, one for Riverside LAFCO, and one for San Bernardino LAFCO. Copies of previous audits are available upon request.

The five LAFCOs have agreed to participate in a joint RFP to realize cost savings on each annual audit and on the overall cost of preparation.

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, five copies of a proposal must be received by Samuel Martinez, Assistant Executive Officer, San Bernardino Local Agency Formation Commission, on or before **May 2, 2016 (5:00 p.m.)**. The LAFCO reserves the right to reject any or all proposals submitted.

During the evaluation process, LAFCO reserves the right, where it may serve LAFCO's best interest, to request additional information or clarifications from proposers, 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. A contract between the firm selected and each LAFCO will be approved separately by each LAFCO.

It is anticipated the selection of a firm will be completed by May 31, 2016.

Following the notification of the selected firm, it is expected that contracts will be executed among the parties by June of 2016. A four-year contract with a one year extension option is contemplated. The one-year renewal option will be subject to review by LAFCOs and satisfactory negotiation of terms (including a price acceptable to LAFCOs and to the selected firm).

Background of Imperial, Los Angeles, Orange, Riverside, and San Bernardino 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.

Creation of LAFCOs

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.

LAFCO Commission Composition and Staffing

Imperial, Orange, Riverside, and San Bernardino LAFCO have a similar composition of their commission, consisting of the following: two members are from the respective county's Board of Supervisors; two members are elected officials from cities within each county; two members are elected officials representing special districts located within each county; and one member is selected as a public at-large member. Los Angeles LAFCO commission composition consists of the following: two members are from the respective county's Board of Supervisors; two members are elected officials from cities within each county; one member is an elected official from the City of Los Angeles; two members are elected officials representing special districts located within each county; one member is selected as a public at-large member; and one member is selected to represent the San Fernando Valley. Each LAFCO has a staff comprised of an Executive Officer, project managers/analysts and support staff. Each of the LAFCOs employs between 4 to 8 full-time staff members. All five LAFCOs utilize consultant assistance on a limited basis to supplement staff efforts.

Funding for LAFCOs

In 2000, the State Legislature signed into a law the Cortese-Knox-Hertzberg Local Government Reorganization Act which provided more independence for LAFCOs and changed the way LAFCOs are funded. Previously, LAFCOs were funded (staffing, facilities, etc.) through their respective counties. Beginning July 1, 2001, the law requires that LAFCOs be independent of their respective counties and requires that LAFCOs be independent of their respective counties and requires that

LAFCO's beneficiaries, the county, cities and special districts, equally share in the funding of LAFCO's budgetary costs.

Imperial, Los Angeles, Orange, Riverside, and San Bernardino LAFCO Budgets

Operating budgets for the five LAFCOs range from approximately \$500,000 to \$1.3 million. Funding for LAFCO operations is equally shared by the county, the cities and the independent special districts located in each county. Although the counties contribute one-third of the LAFCO funding, LAFCO is an independent agency and its budget is not subject to County approval or oversight. Because of available cost saving opportunities, each LAFCO has entered into various contractual arrangements with the appropriate county as well as private vendors to provide certain services for LAFCO, including: office facilities, insurance, banking/investment, purchasing, internal auditing and employee benefits. LAFCO also participates in the following retirement systems for pension benefits: Imperial (Imperial County Employees' Retirement System-ICERS), Los Angeles (Los Angeles County Employees' Retirement Association-LACERA), Orange (Orange County Employees' Retirement System-OCERS), Riverside (California Public Employees' Retirement System-CalPERS), and San Bernardino (San Bernardino County Employees' Retirement Association (SBCERA)).

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

Imperial, Los Angeles, Orange, Riverside, and San Bernardino LAFCO desire its General Purpose Financial Statements (GPFS) to be prepared by Independent Auditors and be fully compliant for GASB #34 and any other GASB pronouncements and then-current accounting/audit requirements and standards for the fiscal years ending June 30, 2016, 2017, 2018, and 2019.

The following is a summary of the scope of the audit of LAFCO for the previous fiscal years:

1. The audit firm will perform an audit of all funds of LAFCO. The 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. The Audit will be in full compliance with GASB #34 and any other GASB pronouncements and then-current accounting/audit requirements and standards for the fiscal year being audited. The audit firm will render their 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) and required supplementary information pertaining to the General Fund and each major fund of the agency.
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.

Each LAFCO staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, referral to the appropriate person and/or department for supporting documents and reconciliations of major asset and liability balances. Each LAFCO staff will prepare the MD&A and transmittal letters based on a template supplied by the consultant. The format of

supporting documents provided by LAFCO is at the discretion of each LAFCO. All other information and financial statements are the responsibility of the audit firm.

All working papers and reports are to be retained at the auditors' expense for a minimum of three years. The audit firm will be responsible for making working papers available to each LAFCO or any other appropriate government agency.

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>
General Purpose Financial Statements (GPFS)	1 photo ready	Jan. 24 th of every year

A draft copy of each financial statement should be delivered to the LAFCO Executive Officer for review approximately 21 days prior to the deadlines noted above. Deadlines for delivery of draft and final financials statements may vary for each LAFCO referenced in this request for proposal and would be specified in the contract between the firm selected and each LAFCO.

IV. TIMETABLE OF AUDIT WORK TO BE PERFORMED

It is expected that LAFCO's books will be closed and ready for audit between August 1-November 1 of each year depending on practices of each LAFCO for that year. The audit fieldwork should begin no earlier than the date of the closing of the books and be complete in time to meet the January 24 deadline of each year. At the discretion of each LAFCO, the appropriate staff from the audit firm may be requested to present audit report to the Commission during a public meeting.

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 firm's Federal Identification Number.
- 2. Cover Letter** - The cover letter should briefly state the proposer'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 3 years.
- B. Prior Experience Auditing Cities, Independent Special Districts 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 and 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 other GASB Pronouncements.
- D. References of Local Government Clients** - Provide a listing of at least five municipal 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 LAFCO's audit**, including procedures to be performed, tasks to be accomplished under GASB #34 and other GASB pronouncements, tasks required as a part of the A-133 single audit, extent to which statistical sampling is to be used in the engagement, type and extent of use of software in the audit engagement, analytical procedures that may be used, the approach to be taken to gain and document an understanding of LAFCO's internal control structure, the approach to be taken in drawing audit samples for purposes of compliance testing, 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 and other GASB pronouncements implementation, final audit procedures including CAFR and reports preparation.

B. Provide sufficient information of your 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. Hourly Rates

Hourly Rates of the Firm’s Employees should be provided by the firm for services which may be requested outside the scope of the audits as shown below. The hourly rates should be inclusive:

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

7. Maximum Fee

The maximum fees for the audit of each LAFCO should be provided in the following format for each LAFCO. The fees should be inclusive of any out of pocket expenses incurred by the audit firm. 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 LAFCO. Any and all additional work as agreed to in advance by LAFCO shall be compensated at the same rate quoted in the schedule submitted in the proposal.

A. Imperial LAFCO	Estimated				
<u>Not to Exceed Amount</u>		<u>Year Ended June 30</u>			
<u>Description of Services</u>	<u>Hours</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Audit of LAFCO, including GASB #34 and other GASB pronouncements implementation and ongoing audit procedures for GASB #34, audit preparation and management letter					\$
Not to Exceed Maximum Fee (Including Expenses)	=====				\$=====

B. Los Angeles LAFCO	Estimated			
<u>Not to Exceed Amount</u>				
<u>Description of Services</u>	<u>Hours</u>		<u>Year Ended June 30</u>	
			<u>2016</u>	<u>2017</u>
			<u>2018</u>	<u>2019</u>
1. Audit of LAFCO, including GASB #34 and other GASB pronouncements implementation and ongoing audit procedures for GASB #34, audit preparation and management letter			\$	
Not to Exceed Maximum Fee (Including Expenses)			\$	

C. Orange LAFCO	Estimated			
<u>Not to Exceed Amount</u>				
<u>Description of Services</u>	<u>Hours</u>		<u>Year Ended June 30</u>	
			<u>2016</u>	<u>2017</u>
			<u>2018</u>	<u>2019</u>
1. Audit of LAFCO, including GASB #34 and other GASB pronouncements implementation and ongoing audit procedures for GASB #34, audit preparation and management letter			\$	
Not to Exceed Maximum Fee (Including Expenses)			\$	

D. Riverside LAFCO	Estimated			
<u>Not to Exceed Amount</u>				
<u>Description of Services</u>	<u>Hours</u>		<u>Year Ended June 30</u>	
			<u>2016</u>	<u>2017</u>
			<u>2018</u>	<u>2019</u>
1. Audit of LAFCO, including GASB #34 and other GASB pronouncements implementation and ongoing audit procedures for GASB #34, audit preparation and management letter			\$	
Not to Exceed Maximum Fee (Including Expenses)			\$	

E. San Bernardino LAFCO	Estimated				
<u>Not to Exceed Amount</u>					
<u>Description of Services</u>	<u>Hours</u>	<u>Year Ended June 30</u>			
		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Audit of LAFCO, including GASB #34 and other GASB pronouncements implementation and ongoing audit procedures for GASB #34, audit preparation and management letter					\$
Not to Exceed Maximum Fee (Including Expenses)	_____				\$ _____

8. Other Information Required in Proposal

The Auditing Firm shall provide a copy of its most recent Peer Review together with the California Society of CPA’s 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 per occurrence or accident for each of the following: Professional Liability (Errors & Omissions), Workers Compensation and Employer’s Liability, Comprehensive General Liability and Bodily Injury Insurance, and Automobile Liability (Owned and Non-Owned) and Property Damage Insurance. Prior to any commencement of audit services, the auditor will be required to provide certificates of insurance coverage to LAFCO. The auditing firm shall make a positive statement that it will not delegate or subcontract its responsibilities without prior written consent of LAFCO.

VI. EVALUATION CRITERIA

Proposals will be evaluated based upon their response to 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 agencies
4. Prior experience of the engagement team in implementation of GASB #34 and other GASB Pronouncements

5. Reference of local government clients
6. Thoroughness of approach to conducting the audit of LAFCO
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.

VII. OTHER INFORMATION

Firms are encouraged to contact Samuel Martinez, Assistant Executive Officer, San Bernardino LAFCO, with any questions relating to this RFP or for copies of the LAFCOs' previous audits. Mr. Martinez can be reached most easily by email at smartinez@lafco.sbcounty.gov. His telephone number is (909) 388-0489.