

**Regional Water Authority
Sacramento Groundwater Authority
Request for Proposal for Professional Auditing Services**

GENERAL PROPOSAL INFORMATION

Request for Proposal

As the administrator for both organizations, the Regional Water Authority (RWA) is requesting proposals from qualified firms of certified public accountants to audit RWA and Sacramento Groundwater Authority's (SGA) financial statements for the fiscal year ending June 30, 2023, with the option at RWA's discretion of auditing its financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The RWA reserves the right to modify the anticipated timeline set forth below. There will be no public opening of proposals. The RWA reserves the right to reject any and all proposals, cancel all or part of this RFP, and waive any minor irregularities and to request additional information from proposing firms. This request for proposals does not obligate the RWA to award a contract. There is no expressed or implied obligation for the RWA to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, send proposals to josette@rwah2o.org. **Proposals must be received by the Authority via email no later than 3:00 p.m., local time, on February 24, 2023, as determined by the email receipt time.** Submit your proposal as one (1) PDF formatted file. The email subject line should be addressed "Proposal for RFP 2023 – Audit Services." The RWA reserves the right to reject any or all proposals submitted.

RWA Profile

The RWA was formed in 1990 as a joint powers authority that serves and represents the interests of 22 water providers and associated agencies in the greater Sacramento area, including parts of Placer, El Dorado, Nevada, Sutter, Yolo and Yuba Counties. The RWA's primary mission is to help its members protect and enhance the reliability, availability, affordability and quality of water resources. Other RWA goals include ensuring a high quality, reliable water supply to over 2 million people in the greater Sacramento region; supporting and implementing the objectives of the Sacramento Area Water Forum to preserve American River environmental values and ensure a reliable water supply for the next generations; saving rate-payer dollars by pooling resources and securing grant funding; providing a forum for regional policy development and collaboration; protecting surface water and groundwater rights to assure reliable future supplies; and advocating on legislative and regulatory matters of interest to the members.

RWA is governed by a board comprised of two representatives from each of the member agencies. The representatives are appointed by the member agencies.

Under an administrative services agreement, the RWA also staffs and manages the SGA. Several agencies are members of both the RWA and the SGA.

RWA has an auditor rotation policy with a term not to exceed five years.

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SGA Profile

The SGA is a joint powers authority created in 1998 and is a separate legal entity from RWA. The SGA was formed to collectively manage, protect, and sustain Sacramento region's North Area Groundwater Basin, which includes all of Sacramento County north of the American River. SGA draws its authority from a joint powers agreement between the cities of Citrus Heights, Folsom, and Sacramento and the County of Sacramento to exercise their police power to protect the underlying groundwater basin. In turn, these agencies chose to manage the basin cooperatively by allowing representatives of the fourteen local water purveyors and a representative from agricultural and self-supplied pumpers to serve as the Board of Directors of the SGA.

SGA has developed a progressive groundwater management vision including a regional conjunctive use program designed to not only provide local and regional benefits but also has the potential to provide broader statewide benefits. SGA is the groundwater sustainability agency for its service area in compliance with the Sustainable Groundwater Management Act (SGMA).

Additional SGA goals include implementing a groundwater management plan to guide activities that will ensure a reliable future water supply; supporting and implementing the Water Forum objectives of preserving American River environmental values and providing water supply reliability to support the Sacramento region's economic health; maintaining and protecting the North Area Groundwater Basin's long-term sustainable yield and quality; promoting wet-year banking so that the basin can sustain users during dry periods; and coordinating with central and south county groundwater management efforts.

Principal Contact

The auditing firm's principal contact with the RWA and SGA will be:

Josette Reina-Luken, Finance and Administrative Services Manager
5620 Birdcage Street, Ste. 180,
Citrus Heights, California, 95610
Voice: (916) 967-7692
Email: josette@rwah2o.org

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RFP Timeline

January 20, 2023	Distribution of RFP
February 24, 2023	RFP filing deadline
February 27- March 10, 2023	Staff review of proposals
March 13 - 17, 2023	Audit firm interviews
March 29, 2023	Staff recommendation of audit firm selection to RWA Board of Director's Executive Committee
April 13, 2023	SGA Board of Directors approval of selection
May 18, 2023	RWA Board of Directors approval of selection

PROPOSAL SUBMITTAL AND EVALUATION

Proper Completion and Submission of RFP

To be considered, each auditing firm submitting a proposal must provide by the due date one PDF copy to RWA's principal contact shown on page 2. The RWA reserves the right to reject any or all proposals submitted. **Proposals will be delivered via email to the RWA's principal contact.** Late submissions will not be considered.

Rights to Submitted Materials

The RWA and SGA reserve 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 the RWA and SGA and the firm selected.

Changes to RFP

The RWA will send any changes to this RFP to each firm to whom an RFP has been sent. Such changes become an integral part of the RFP for incorporation into any contract awarded pursuant to the RFP.

Inquiries to RFP

Please first submit any inquiries or clarification concerning the proposal submission via email to RWA's principal contact. Answers to inquiries will be returned via email and also posted at www.rwah2o.org for all other interested parties to review.

Evaluation of Proposals

Proposals submitted will be considered by an evaluation team consisting of the RWA staff and representatives of member agencies.

During the evaluation process, the audit selection committee, RWA management and/or full Board of Directors reserve the right, where it may serve the RWA's or SGA's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or

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omissions. At the discretion of the audit selection committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

Award of Contract

RWA's and SGA's selection of an auditing firm will be completed by May 19, 2023. Following notification of the selected firm, it is expected that a contract will be executed between RWA and the selected auditing firm by June 30, 2023 in accordance with RWA's and SGA's administrative services agreement (see Policy 100.2 "Administrative and Management Services Agreement").

Term of Engagement

The contract term will be from one to a maximum of five years at RWA's discretion. If RWA and the selected auditing firm enter into a multi-year services contract, such contract will be subject to annual review and conditional renewal based on auditor performance at the discretion of RWA and SGA.

Subcontracting

If a proposer intends to subcontract any of the work in its proposal, that fact, the name of the proposed subcontracting firm(s), and the work to be performed by each subcontractor must be clearly identified in the proposal.

Insurance

The selected auditing firm will maintain in full force and effect throughout the term of the auditing services contract the following insurance coverage:

- A. Comprehensive General Liability Insurance coverage of not less than \$1,000,000 Combined Single Limit, with coverage at least as broad as ISO CG00 01.
- B. Automotive Liability Insurance coverage of a limit of not less than \$1,000,000 Combined Single Limit with coverage at least as broad as ISO CA00 01 (hired or non-owned).
- C. Workers' Compensation Insurance coverage at the statutory limits, covering its employees used in performance of this Agreement. The auditor also will require any approved sub-contractors that perform auditing services for RWA and SGA to also provide Workers' Compensation Insurance covering such sub-contractor's employees.
- D. Professional Liability Insurance of a limit of not less than \$1,000,000.
- E. All of the auditing firm's insurance is to be placed with insurers licensed to do business by and in good standing with the California Department of Insurance, with a current A.M. Best's rating of A or better unless otherwise acceptable to RWA. All insurance will be endorsed to name RWA and SGA as additional insureds.

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F. If requested by RWA and/or SGA, all proposers will promptly submit to RWA and/or SGA evidence of insurance coverage.

SCOPE OF SERVICES

Nature of Services

The RWA and SGA are soliciting the services of qualified firms of certified public accountants to audit RWA's and SGA's respective financial statements for the fiscal year ending June 30, 2023, with the option, at RWA's and SGA's discretion, to renew the contract to audit RWA's and SGA's financial statements for each of the four subsequent fiscal years. The audit(s) are to be performed in accordance with the provisions contained in this request for proposals.

The RWA and SGA desire the auditor to express an opinion on the fair presentation of their basic financial statements in conformity with accounting principles generally accepted in the United States of America.

Anticipated Audit Timeline

Early October 2023	Auditor year end fieldwork begins
November 2023	Draft financial statements and management letter
December 7, 2023	Present audit report and management letter comments to SGA Board of Directors
December 13, 2023	Present audit report and management letter comments to RWA Board of Directors' Executive Committee
January 11, 2024	Present audit report and management letter comments to full RWA Board of Directors

Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue, one week prior to the above-Board meeting(s) one PDF file for each of the RWA and SGA audits, including:

1. An independent audit report on the financial statements conducted in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.
2. An independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with Government Auditing Standards.
3. A management letter communicating any items for improvement noted during the audit, if deemed necessary.

In the required report(s) on internal control over financial reporting and on compliance and other matters, the auditor shall communicate any deficiency, material weakness or significant deficiencies found during the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of

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performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on compliance and internal controls. The report(s) on internal control over financial reporting and on compliance and other matters shall include all material instances of noncompliance required to be reported under Government Auditing Standards. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report(s) on internal control over financial reporting and on compliance and other matters.

Presentations of Audit Reports

The selected auditor shall also present the results of the audits at three separate meetings as follows:

December 7, 2023	The SGA Regular Board Meeting
December 13, 2023	The RWA Board of Directors' Executive Committee Meeting
January 11, 2024	The RWA Regular Board Meeting

Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report to the RWA or SGA Board of Directors of all irregularities and illegal acts or indications of illegal acts of which they become aware.

Reporting to the Executive Committee of the Board of Directors

Auditors shall assure themselves that the RWA's Executive Committee and the RWA and SGA Board of Directors are informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards;
2. Significant accounting policies;
3. Management judgments and accounting estimates;
4. Significant audit adjustments corrected and uncorrected;
5. Other information in documents containing audited financial statements;
6. Disagreements with management;
7. Management consultation with other accountants;
8. Major issues discussed with management prior to retention;
9. Difficulties encountered in performing the audit; and
10. Significant Risks Identified by the Auditor.

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OPERATIONS AND FINANCIAL INFORMATION

RWA Operations

The RWA has an operating budget of approximately \$2,760,000 funding the core administration of RWA's mission and objectives and the common operating costs for RWA and SGA. RWA staffs and manages the SGA through an administrative services agreement and shares in common operating costs. For the fiscal year ending June 30, 2023, \$860,000 in common operating costs are expected to be reimbursed by SGA.

In addition, RWA offers its members a host of additional program services, which costs can vary significantly year to year, depending upon grant awards and outside programs. Members will pay additional fees for these additional services and the nature of these services varies from year to year. For fiscal year ending 2023, the program operating budget is projected at approximately \$4,270,000.

The RWA employs nine full-time regular employees to manage both RWA and SGA. Based upon workload utilization, RWA has 5.7 FTEs and SGA has 3.3 FTE's staff allocations.

More detailed information on the RWA's governance and its finances can be found in the reports below at www.rwah2o.org:

1. RWA's 2022-2023 Approved Budget;
2. The RWA Independent Auditor's Report and Financial Statements for the year ended June 30, 2022; and
3. Other general information.

RWA Fund Structure

For financial reporting purposes, RWA is considered a special-purpose local government agency engaged in business-only type activities and maintains one proprietary fund. Its accounting records are maintained on a cash basis and are adjusted at year end to an accrual basis of accounting. RWA adopts an annual budget in accordance with legal requirements.

RWA's State and Local Awards

During the fiscal year ending on June 30, 2023, the RWA anticipates participating in state grants from the Department of Water Resources, private grant funding agencies and/or member funded agency programs. All of which are reported within the RWA Annual Financial Report. No separate or single-fund audits are required with the exception of the Sacramento Groundwater Authority.

RWA Budgetary Basis of Accounting

The RWA prepares its budgets reflecting expected fees and expenses. It does not budget for depreciation and fixed asset acquisitions are reflected as operating expenses. Additionally, fund balances are not budgeted. However, cash balances and designations are projected. The annual budget preparation begins in January with participation from staff and the Board of Directors' Executive Committee and concludes with Board adoption in May for a July 1st fiscal year start date.

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SGA Operations

The SGA's operating budget for fiscal year 2023 is projected at approximately \$1,150,00 which includes a budgeted amount of \$860,000 of common operating costs allocated to SGA by RWA according to an administrative and management services agreement.

SGA's plans during 2023 include implementing the Groundwater Sustainability Plan, monitoring groundwater levels and water quality, grant application assistance, maintaining and improving the groundwater data management system, pursuing regional contamination issues and groundwater modeling work to comply with SGMA.

More detailed information on SGA's governance and its finances can be found in the reports below at www.sgah2o.org:

1. SGA's 2022-2023 Approved Budget;
2. The SGA Independent Auditor's Report and Financial Statements for the years ended June 30, 2022 and 2021; and
3. Other General Information.

SGA Fund Structure

For financial reporting purposes, SGA uses a governmental fund type. The SGA's governmental fund type is a Special Revenue Fund and is used to account for proceeds of specific revenue sources that are legally restricted for specified purposes. SGA's accounting records are maintained on a cash basis and are adjusted at year end to a modified accrual basis of accounting and government-wide accrual basis of accounting.

SGA Budgetary Basis of Accounting

The SGA prepares its budgets reflecting expected fees and expenses. It does not budget for depreciation and fixed asset acquisitions are reflected as operating expenses. Additionally, SGA does not budget for fund balance, however cash balances and designations are projected. The annual budget preparation begins in February with participation from staff and a Budget Committee and concludes with Board adoption in June for a July 1st fiscal year start date.

Pension Plans and Other Post-Employment Benefits

The RWA and SGA participate in the California Public Employee Retirement System (CalPERS), which is a defined benefit pension plan. Actuarial services for these plans are provided by CalPERS. Additionally, RWA offers its employees a Deferred Compensation Plan administered by CalPERS. RWA does not contribute to the Deferred Compensation Plan on behalf of its employees. SGA had contractual obligations to CalPERS beginning in FY17 and therefore adopted GASB 68 in FY2017.

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RWA hires an actuary to determine the cost of other post-employment benefits (OPEB). RWA places OPEB funds into a trust account with California Employers' Retiree Benefits Trust (CERBT) managed by CalPERS. The annual required explicit contribution is paid each year in order to keep funding current. The implicit contribution may be funded as well, depending upon approved budget and available resources. The retiree health benefit payments are reimbursed from the CERBT.

RWA Assets

RWA currently owns several pieces of computer equipment and office furniture. RWA has a fixed asset policy that requires capitalization of assets with a minimum value of \$2500. RWA also leases their office building space and one copier and reports it under GASB 87 beginning in FY2022.

Finance & Administrative Services Organization

RWA's and SGA's administrative services are directed and overseen by Executive Director James Peifer. The individuals listed below will be available during the audit to assist the selected auditing firm by providing information, documentation and explanations, including confirmation preparation.

Function	Individual
Finance & Administrative Services Oversight/Reporting, Audit Oversight	Executive Director
Accounts Payable, Accounts Receivable, Account Reconciliation, Cash/Investment Management, General Ledger, Payroll and Human Resources, preparation of the State Controller's Report, drafting of the Management Discussion and Analysis and financial statement and footnotes, and key audit liaison and coordinator	Finance & Administrative Services Manager
Information Technology, assistance with questions on grant reporting	Manager Technical Services
Accounting and budgeting assistance, assisting with the management discussion and analysis, supporting schedules, balance sheet, income statements, and cash flow statements for the annual audit.	Outside Consultant

Availability of Prior Audit Reports and Working Papers

Interested firms who wish to review prior years' audit reports and management letters should contact the RWA's principal contact. The RWA will use its best efforts to make prior RWA and SGA audit reports and supporting working papers available to firms to aid their response to this request for proposals. RWA and SGA Policies, Board meeting agendas and minutes, and additional information is available at rwah2o.org and sgah2o.org.

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PROPOSAL REQUIREMENTS

Proposal Requirements

In order to facilitate the comparison of proposals from competing firms and to assist the evaluation team with the review process, proposing firms are requested to organize their proposals in accordance with the following instructions.

Title Page

State the RFP subject, name of the audit firm, local address, telephone number of the proposer's chief contact person, and the date of the proposal.

Table of Contents

The table of contents of the proposal should include a clear and complete identification of the materials submitted by section and page number.

Profile of Proposing Firm

Include staffing size of your firm and your firm's client base (i.e. local, regional, statewide, etc.) and the location of the office from which the work will be done and the staffing allocation for that office. Include a statement as to the firm's capability to conduct audits of governmental entities, including an affirmation that the proposing firm and its agents are properly licensed for practice as Certified Public Accountants. It is expected that the firm's staff will meet the Continuing Education Requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Independence

The firm should provide an affirmative statement that it is independent of the RWA and SGA as defined by generally accepted auditing standards ("GAAS") and Government Auditing Standards (GAS). The firm should disclose whether it has any audit relationships with RWA and/or SGA member agencies. For a list of member agencies, refer to the following website links: <http://rwah2o.org/board-members/> (RWA) and <http://sgah2o.org/board-members/> (SGA).

Partner, Supervisory and Staff Qualifications and Experience

Identify staff, including engagement partners, managers, supervisors and specialists, who would be assigned to the engagement. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit. Include an affirmative statement that the firm and all assigned key professional staff are properly registered/licensed to practice in California.

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Work Plan and Schedule

Outline a work plan to accomplish the proposed scope of work to demonstrate how the time requirements for the audit will be met. The work plan should include time estimates for each significant segment of the work to be performed and a description of the expected assistance from RWA. The work plan should also identify and describe any anticipated potential audit problems and the firm's approach to resolving these problems. In addition, the work plan should indicate if the proposer is willing to enter into a single year or a multi-year engagement of no more than five consecutive years.

Similar Engagements

List a maximum of five similar recent engagements performed. Indicate the scope of work, date, engagement partner(s), total hours, and the name and telephone number of the principal client contact.

Peer Review Results

Please provide a copy of the audit firms most recent peer review report. You may include any additional information that addresses any peer review findings.

Cost Proposal

The cost to provide the auditing services should be included in the proposal with detail of the hours and rates to be charged:

- 1) Total hours and a not-to-exceed price for the engagement, including out-of-pocket expenses. If the proposer seeks a multi-year contract, the not-to-exceed price should be included for each of the years 2023 through 2028.
- 2) Rates by partner, supervisor, and staff with hours anticipated for each.
- 3) Out-of-pocket expenses.
- 4) Rates for additional professional services, should the need arise.

Progress payments will be made on the basis of hours of work completed during the course of the work and out-of-pocket expenses incurred in accordance with the firm's dollar cost under terms to be agreed to in a contract to be executed between the selected auditor and RWA.

SELECTION CRITERIA

RWA staff will review proposals and recommend selection of a single firm to the RWA and SGA Boards of Directors based on the following criteria, which will be assigned point values up to the total amounts indicated: knowledge/experience (30 points), ability to meet RWA/SGA needs (20 points), and project cost (50 points). There is a maximum possible score of 100 points.