

**PORT SAN LUIS HARBOR DISTRICT  
REQUEST FOR PROPOSALS  
FOR INDEPENDENT AUDITING SERVICES**

**1) KEY RFP DATES**

RFP Issued:	January 30, 2017
Deadline for Submission of Questions:	February 6, 2017
Answers to Written Questions Posted on Website:	February 7, 2017
Proposals are due:	February 24, 2017 3:00 p.m.
Notification of Interviews:	March 1, 2017
Finalists interviewed:	March 7, 2017
Contract Recommended for Board Approval:	March 28, 2017

**2) INTRODUCTION**

Port San Luis Harbor District (District) is issuing a Request for Proposals (RFP) for INDEPENDENT AUDITING SERVICES from firms or individuals with expertise in auditing financial statements for governmental agencies.

Based on its evaluation of the proposal received in response to this RFP (Proposals), the District may select one Respondent to enter into exclusive negotiations for an agreement substantially similar to Appendix A, Model Professional Services Agreement. The agreement will require the Respondent to perform the Services upon the District's request. The maximum fee to perform services is not expected to exceed \$65,000 for five (5) years. The contract will be established for a period not to exceed three (3) years, although the District will have the option to extend the term by two (2) additional years, as two one-year options, by mutual agreement of the parties.

There is no expressed or implied obligation for the District to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

The selection of any Respondent for exclusive negotiations shall not imply the District's acceptance of all terms of the Respondent's submittal; terms may be subject to further negotiation. The District shall have no obligation unless and until a final agreement is entered into by the parties following approval by the District's Board of Commissioners. There is no guarantee that the District will request services, and the District may terminate the agreement at any time for cause.

Proposals must be received by the District no later than 3:00 p.m. on Friday, February 24, 2017 at the following address:

Port San Luis Harbor District  
3950 Avila Beach Dr.  
P.O. Box 249  
Avila Beach, CA 93424

Responses to this RFP that are not received by the time and date specified, do not contain all the required information and completed forms, or do not meet all minimum qualifications shall be deemed non-responsive and rejected without consideration. The District reserves the right to reject any and all proposals.

Prospective Respondents may obtain copies of this RFP by visiting the District's website at [www.portsanluis.com](http://www.portsanluis.com) or by contacting Heather Zacker, Accountant at 805-595-5432 or by email at [heatherz@portsanluis.com](mailto:heatherz@portsanluis.com).

### **3) BACKGROUND**

The District is located on the beautiful Central Coast of California surrounded by the towns of San Luis Obispo, Pismo Beach, Arroyo Grande, Grover Beach, Oceano, and Avila Beach. The estimated population within the District is approximately 95,000 people. The District is a major center for commercial and nautical activity. Since the development in the late 1800's, the harbor has served a critical function in the economy, and in the identity of San Luis Obispo County.

The importance of the harbor was recognized by the local community in 1953, by voting to create a special district for the control and management of the harbor area. The Port San Luis Board of Harbor Commissioners appoints a Harbor Manager to conduct the day to day operations of the Harbor District. The District employs approximately 26 full-time people to provide services and maintain the Port. The Board establishes policy, sets goals and objectives, adopts the annual budget, approves expenditures, and performs other related functions.

The District is empowered by its authority, and by its authorizing statutes, the California Harbors and Navigation Code, Section 6000, to acquire, operate, and develop any and all harbor works that enhance the harbor facilities within the limits of its established boundaries. The District's current operations involve the ownership, operation, and maintenance of commercial and recreational portions of Port San Luis, including Avila and Harford Piers.

The District's annual revenue is approximately \$5.1 million and is categorized into four main areas; property taxes, rents, parking and mooring operations. Property taxes have historically made up the largest category and currently account for 62% of the District's total annual funding. Rents collected from the District's leases and licenses, parking and mooring operating income make up the remaining 38% of total revenue.

The District maintains three funds, two of which are governmental fund types and one is a proprietary fund type.

The District's accounting records are computerized.

Copies of prior years' audited financial statements and the adopted budget are available on the District's web-site at: <http://www.portsanluis.com/2151/Budget-Financial-Reports>.

#### **4) SCOPE OF SERVICES**

##### **4.1 Scope of Engagement**

Services shall be performed annually for each fiscal year covered by this agreement for the District's Management Discussion & Analysis (MD&A), basic financial statements, and possibly a single audit.

The Auditor shall audit the basic financial statements of the District for each of the initial three fiscal years, and optional two fiscal years for the purpose of expressing an opinion on these financial statements. The audited financial statements consist of 1) government-wide financial statements which are prepared on the accrual basis, 2) individual funds statements which are prepared on the modified accrual basis for the governmental funds and accrual basis for the propriety fund 3) notes to the financial statements, required supplementary information (actual vs. budget, post-employment benefits and pension benefits) and 4) other supplementary information (propriety fund operations vs. budget). In addition, there is an unaudited statistical section that accompanies the audited financial statements, which section is prepared by management.

The audits will be conducted in accordance with 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; which require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Auditor will, in planning and performing their audit, consider the District's internal control over financial reporting in order to determine their auditing procedures for the purpose of expressing their opinion on the financial statements. Also, the Auditor, as part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, perform tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements. The Auditor will issue an independent report on internal control over financial reporting and on compliance and other matters based on their audit of the financial statements performed in accordance with *Government Auditing Standards*. The purpose of this report will be to describe the scope of the Auditor's testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

The Auditor will apply certain limited procedures to the MD&A and supplementary information regarding the methods of measurement and presentation.

Currently the District does not have major federal programs, but during the engagement period may become eligible for such program. The Auditor may be required to audit the compliance of the District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to major federal programs identified in the Schedule of Expenditures of Federal Awards for the purpose of expressing an opinion as to whether the District complied, in all material respects, with the requirements referred to above that are

applicable to each of its major Federal programs. The supplemental Schedule of Expenditures of Federal Awards is to be subjected to the auditing procedures applied in the audit of the basic financial statements to determine if the Schedule is fairly stated, in all material respects, in relation to the basic financials statements taken as a whole.

Draft Audited Financial Reports must be provided to the District by October 15<sup>th</sup> of each fiscal year ended June 30<sup>th</sup> for its comments so that final Audited Financial Reports will be completed by October 31<sup>st</sup> of each year. Changes to these dates are subject to mutual agreement of the Auditor and the District.

Report preparation, editing and printing shall be the responsibility of the auditor.

**Deliverables include:**

- 1) Fifteen (15) bound copies of Audited Financial Report including, if applicable, Single Audit Report**
- 2) Electronic Copy of Audited Financial Report**

#### **4.2 Audit Plan**

The Auditor shall hold an entrance conference with all key finance personnel. The purpose of this meeting is to discuss prior audit issues or concerns and to coordinate efforts of Auditor and District staff. The Auditor will be asked to present a detailed audit plan and to present a list of all schedules to be prepared by the District. The detailed audit plan shall include the audit of the District's MD&A, basic financial statements, possibly a schedule of federal expenditures, internal control procedures and identify key preliminary audit, deliverable and status meeting dates.

Throughout the engagement the District proposes to make appropriate staff available to provide assistance to the audit team. Such assistance includes coordinating the field work, identifying locations of required records and documentation, preparing and/or obtaining listings of account balance/transactions, providing reasonable detailed analysis and reconciliation of various accounts being audited, and other such tasks which will serve to speed the conduct of the engagement. The District will arrange the appropriate office space.

**Deliverables include:**

- 1) Detailed Audit Plan**
- 2) List of required schedules to be prepared by District**

#### **4.3 Management letter**

The Auditor shall issue reports to management (management letters), which discuss required communications and reportable conditions in material weaknesses related to the District in accordance with GAAS and Government Auditing Standards. The management letter shall address the systems of internal control, accounting and financial systems, functions, procedures, and processes, especially with regard to cost effectiveness; and compliance with laws, regulations, contracts, and grants. The Auditor shall discuss all findings and recommendations with District management prior to inclusion in its report. In addition to communicating reportable conditions and material

weaknesses in accounting and administrative controls, the primary objective of the management letter shall be to provide suggestions and improvements of fiscal operations.

The final management letter shall include the following:

- 1) Findings and recommendations of improvements in internal controls and accounting systems based upon the review of the internal control structure performed as part of the audit.
- 2) Findings of noncompliance with laws, rules, regulations and ordinance requirements which came to the Auditor's attention during the course of the audit.
- 3) Any other material items in the course of the audit which the Auditor feels should be brought to the attention of management and the District's Board of Commissioners.
- 4) Recommendations for improvements in administrative efficiency.
- 5) Summary listing of nonmaterial items which were communicated to management.
- 6) Status of all management letter comments from prior years.
- 7) Management's response to findings and recommendations.

**Deliverables include:    1) Fifteen (15) copies of Management Letter  
   2) Electronic Copy of Management Letter**

#### **4.4 Additional Requirements**

##### 1) Communication and Presentations

The Auditor shall meet with District staff on a regular basis to report the progress of its audit and any preliminary findings. Upon completion and issuance of both the financial statements and the management letter, the Auditor will make a presentation to the District's Board of Commissioners. Content of the presentation must be approved by District staff prior to the Board date.

##### 2) Update on New Accounting & Auditing Requirements

During the period under contract, the District may be required to implement new Accounting Standards, comply with additional auditing requirements, or new federal or state legislation and rules. The Auditor shall keep the District informed of such requirements.

##### 3) Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the Auditor's expense, for a minimum of seven (7) years after the ending date of the fiscal year audited, unless the Auditor is notified to extend the retention period. The Auditor will be required to make working papers available, upon request, to the District and its funding agencies. In addition, the Auditor shall respond to the reasonable inquires of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

##### 4) Insurance

Attached to the RFP is a draft copy of the Model Professional Services Agreement (Appendix A) which contains the insurance requirements. The selected firm will maintain the minimum insurance requirements during the entire time of the engagement. The selected firm will have a certificate of insurance completed and filed with the District within fifteen (15) days of execution of this agreement and shall provide that no cancellation, major change in coverage, or expiration by insurance company or insured during the term of this contract shall occur without thirty (30) days written notice to District prior to the effective date of such cancellation or change in coverage.

## **5) PROPOSAL SUBMISSION**

Interested firms should submit the following information in the order listed.

1. Title page showing the Request for Proposal's subject; the firm's name; the name, address, telephone number and email of the contact person; and the date of the proposal.
2. Table of contents including a clear and complete identification of the materials submitted by section and page number.
3. Transmittal letter addressing the firm's understanding of the project based on the RFP and any other information the firm has gathered and the firm's commitment to adhere to the timeline of the RFP. Include a statement discussing the firm's qualifications and experience with special emphasis on previous auditing work for government agencies. Certify that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the District.
4. Description of Audit Approach and Work Plan
5. Statement as to whether the proposed fee includes the work necessary to comply with the requirements of GASB 68 - Accounting and Financial Reporting for Pensions. If the proposed fee does not include the work necessary to comply with these requirements, include the firm's proposal to do so.
6. Listing of similar projects
7. Proposed assigned staff's resumes
8. Listing of three references for firm
9. Listing of three references for proposed assigned staff
10. A copy of your most recent Peer Review/Quality Review (including letter of comments)
11. Estimates for conducting the audit and the annual cost for each year of the audit contract. The District is requesting a fixed cost bid. If travel costs are not included in the bid, an estimate should be noted in the proposal.
12. The District may receive a federal grant which will require a Single Audit Report. Provide an estimate if there is an additional cost for the preparation of a Single Audit Report.
13. A sample Financial Report
14. A statement from the prospective Auditor that:
  - a. The firm is independent of the Port San Luis Harbor District as that term is defined by the AICPA Code of Professional Conduct.
  - b. The firm will provide adequate supervision on a day-to-day basis and that the resulting workpapers shall be adequate and shall be available for

routine review by appropriate Auditors of the Federal and State governments.

- c. Staff assigned to the audit has met the continuing education requirements required by the Government Auditing Standards issued by the Comptroller General of the United States and California Board of Accountancy.

This proposal shall be binding upon the Respondent for ninety (90) calendar days following the proposal opening date. Any bid or proposal on which the Respondent shortens the acceptance period may be rejected.

All proposals shall be received by 3:00 p.m. on February 24, 2017.

## **6) RESPONDENT EVALUATION PROCESS**

The District intends to select one Respondent. The District's selection committee will review and evaluate the Proposals. The selection committee will score the Proposals in accordance with the criteria and methodology described in this RFP. The Respondent that receives the highest score in the selection process will be selected to negotiate an Agreement with the District.

### **6.1 Step One: Proposal**

Proposals that are complete and have been received by the deadline will be scored as follows:

- |                                    |                   |
|------------------------------------|-------------------|
| • Experience of Firm and Key Staff | Maximum 25 points |
| • Audit Approach & Work Plan       | Maximum 15 points |
| • References                       | Maximum 15 points |
| • Lowest Cost                      | Maximum 45 points |

The maximum total score possible is 100. The Respondents' Proposals will be ranked according to total score. The selection committee will shortlist those Proposals that meet a minimum score, as determined by the selection committee (Finalist Respondents). Finalist Respondents will be invited to participate in the final selection process. The final selection process may include the submission of additional information and/or participation in an oral interview.

### **6.2 Step Two: Interview**

The District may invite the Finalist Respondents to participate in oral interviews at a specified time, date, and location. The District shall impose a time limit for each oral interview. During the oral interview, the Finalist Respondents may be required to deliver a brief presentation of their proposal to the District. This will provide an opportunity for the Respondent to clarify or elaborate on their proposal but will in no way change the original proposal. The Respondent will be required to respond to questions from the selection committee, including questions concerning the Respondent's Proposal and presentation. The proposed key individuals in the Finalist Respondent's team will be expected to actively participate in the interviews and to respond to the selection committee's questions. The selection committee will assign points to each Finalist

Respondent based on the oral interview up to a maximum of 150 points. The interview phase will be scored as follows:

- Presentation maximum 50 points
- Question and Answers maximum 100 points

At the conclusion of the oral interviews, the selection committee will combine the scores for the Proposal and oral interview for each Finalist Respondent. The highest-ranking Finalist will be selected to negotiate a professional services agreement with the District. In the event of a tie, the District may elect, in its absolute and sole discretion, to break the tie by conducting a tiebreaker between the tied Finalist Respondents.

In the event that agreement cannot be reached with the highest-ranking Finalist Respondent as determined by District staff in its sole discretion, negotiations may be entered into with other Finalist Respondents in the order of their ranking. There shall be no binding agreement with any Finalist Respondent unless and until approved by the District Board or Harbor Manager, at its sole discretion.

## **7) SUBMITTAL PROCEDURES**

Three (3) copies of the Proposal and one (1) CD or USB drive with the Proposal in Adobe Portable Document Format (PDF) must be received by the District no later than 3:00 p.m. on February 24, 2017 in a sealed envelope and must be clearly marked "Proposal for Annual Audit Services," at the following address:

Port San Luis Harbor District  
P.O. Box 249  
3950 Avila Beach Dr.  
Avila Beach, CA 93424

Responses to this RFP that are not received by the time and date specified or do not contain all the required information shall be deemed non-responsive and rejected without consideration.

Beginning on the date this RFP is issued and made available to prospective Respondents, there will be no communications concerning this RFP between members of the District Board or District staff and prospective Respondents and their employees or agents, except as provided herein. Questions about the RFP may be directed in writing to the District's Business Manager. The Business Manager will consider all questions received by the close of business on the date noted in the RFP schedule as the deadline for submission of questions and, as appropriate, respond in writing. Any violations of the above restriction will result in the immediate disqualification of the Respondent making said contract from further participation in the RFP process. This restriction will end when contract award notification has been made.

Questions about the RFP may be directed in writing to:

Port San Luis Harbor District  
P.O. Box 249  
Avila Beach, Avila Beach CA 93424

(805) 595-5404 fax  
Email: [kristens@portsanluis.com](mailto:kristens@portsanluis.com)

Respondents are to promptly notify the Business Manager, in writing, if the Respondent discovers any ambiguity, discrepancy, omission, or other error in this RFP. Respondents may telephone the District at (805) 595-5432 to determine if Respondent has received all addenda.

## **8) SCHEDULE AND ADDENDA**

See the key RFP dates listed in section 1 of this RFP.

The District may modify this RFP prior to the date Proposals are due by issuing written addenda. Addenda will be posted on the District's website ([www.portsanluis.com](http://www.portsanluis.com)). For parties who requested a hard copy of the RFP by regular mail, addenda may be sent to them via regular, first class U.S. mail. All parties, regardless of how they obtained the RFP, are solely responsible for ensuring the receipt of any and all addenda, and should therefore check the website before submitting their Proposals to ensure receipt of all addenda, and to ensure their Proposals respond to any such addenda.

## **9) STANDARD AGREEMENT PROVISIONS**

Following negotiations, the selected Respondent will be expected to enter into a professional services agreement substantially in the form of the Model Professional Services Agreement, Exhibit A. Failure to timely execute the Agreement, or to furnish any and all insurance certificates and other materials required in the Agreement, shall be deemed an abandonment of the Respondent's contract offer.

## **10) PROTEST PROCEDURES**

### **10.1 Protest Submittal**

A protest describing the nature of the disagreement must be submitted in writing to the District no later than five (5) business days following notification of proposed award.

The letter of protest shall contain a description of the protest and shall be signed and dated. Protests shall be addressed to:

Mrs. Andrea Lueker, Harbor Manager  
Port San Luis Harbor District  
P.O. Box 249  
Avila Beach, CA 93424

### **10.2 Harbor Manager's Decision Final**

The Harbor Manager shall inform the protester in writing of the decision, stating the reasons for the decision, and responding at least generally to each material issue raised in the protest. The Harbor Manager's letter to the protester shall state that the protester may contact the Harbor Manager to discuss the response, and the protester has the right to address the District Board on the date when the contract is calendared to be awarded if the Harbor Manager denies the protest.

The decision of the Harbor Manager is final. The protester may seek a remedy in state or federal court, as appropriate, from the final action of the District.