



Request for Proposals (RFP) Professional Auditing Services

BACKGROUND

Proposition 10

In November 1998, the California voters passed Proposition 10, the California Children and Families First Initiative, which added a 50 cent-per-pack tax on tobacco products. Revenue from the tax is deposited into a trust fund, then disbursed with the intent to promote, support and improve early development of children from the prenatal stage through five years of age. Eighty percent (80%) of these revenues are allocated annually to the 58 individual California counties to benefit children from prenatal to five years old. Each local Commission has control over their own funds and by law is empowered to make local decisions about how funds should be spent. The remaining 20% of the revenues supports statewide programs and research.

State Commission

The California Children and families Commission is responsible for state-level administration including developing program guidelines, reviewing county plans, and conducting annual program review and evaluation. The nine-member commission also spends 20% of the available revenues annually on mass media communications, parent and provider education, child care, research and administration.

First 5 San Benito

The San Benito County Board of Supervisors established the First 5 San Benito Children and Families Commission in 1999 to administer and allocate the County's portion of the Proposition 10 funds. The Commissioners represent county government, public health, social services, education, and early care and education. The commission is required to adopt a strategic plan to guide how funds will be spent and progress will be measured. Local planning must be consistent with state guidelines, and programs must be reviewed and evaluated annually.

Through the history of the organization, First 5 San Benito has made efforts to respond to the needs in the community and direct funding in a manner that will address identified needs and develop effective systems. Since local funding began in 2001, First 5 San Benito has distributed more than \$8 million within the community in the form of grant funding. In the FY 2011-12 strategic plan, the Commission restructured its investments in the community by decreasing funding to grantees and increasing F5 SBC's role in providing direct services in order to serve more children and their families. In each subsequent strategic plan, the Commission has further refined this funding strategy, as well as increased its investments in capacity-building and systems change, in order to invest its resources in a manner that achieves the maximum impact.

Statewide, Prop 10 tax revenue has been declining, and it is projected to continue declining in the future. However, First 5 California has included First 5 SB in its small county allocation and renewed baseline funding of \$650,000 per year for the duration of this strategic plan. In addition, First 5 SB anticipates receiving an estimated \$80,000 per year from the Proposition 56 tobacco tax that passed in 2016. A portion of the Prop 56 tobacco tax revenue is distributed to every First 5 Commission to help mitigate the reduction in Proposition 10 revenues resulting from the new, higher tax.

First 5 San Benito
REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

First 5 San Benito is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2019 with the option of auditing its financial statements for each of the five subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5) (2018).

There is no expressed or implied obligation for the First 5 San Benito 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 Lisa Faulkner at 351 Tres Pinos Rd, Suite 100-A, Hollister, California by 4 p.m. on May 17, 2019. First 5 San Benito reserves the right to reject any or all proposals submitted. Proposals will not be accepted after 4:00 p.m. pacific standard time, May 17, 2019.

During the evaluation process, First 5 San Benito reserves the right, where it may serve First 5 San Benito's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of First 5 San Benito, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

First 5 San Benito 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 First 5 San Benito and the firm selected.

Any questions concerning this request for proposal (RFP) should be directed to Lisa Faulkner, Executive Director at (831) 634-2046.

Proposals submitted will be evaluated by the First 5 San Benito Children and Families Commission.

During the evaluation process, the First 5 Staff reserves the right, where it may serve First 5 San Benito's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of First 5 San Benito, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

First 5 San Benito 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 First 5 San Benito and the firm selected.

The selected firm contract is expected to be executed between both parties by June 5, 2019.

B. Term of Engagement

A potential six year contract may be awarded, subject to the annual review, the satisfactory negotiation of terms (including a price acceptable to both First 5 San Benito and the selected firm), the concurrence of the First 5 San Benito Commission and the annual availability of an appropriation.

C. Subcontracting

Firms submitting proposals are encouraged to consider subcontracting portions of the engagement to small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals. If this is to be done, that fact, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of First 5 San Benito.

II. NATURE OF SERVICES REQUIRED

A. General

First 5 San Benito is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2019, with the option to audit First 5 San Benito's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

First 5 San Benito desires the auditor to express an opinion on the fair presentation of its governmental activities, its business-type activities, its aggregate discretely presented component units, each of its major funds, and its aggregate remaining fund information in conformity with generally accepted accounting principles.

First 5 San Benito also desires the auditor to express an opinion on the fair presentation of its combining and individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The audit firm will present the Audit Report to the First 5 San Benito Commission in a scheduled public meeting after the Audit Report is discussed with the First 5 Staff.

C. Auditing Standards to Be Followed

To meet the requirements of this request for proposals, the audit will be performed in accordance with auditing standards generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants and the standards applicable to financial audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States. The expanded annual audit must be performed in conjunction with the county commission's annual audit. The First 5 Financial Management Guide provides guidance on the annual audit (<http://www.cfc.ca.gov/pdf/about/fiscal/Guides/First-5-Financial-Management-Guide-Fifth-Editiion032515.pdf>).

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity

with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements.

2. A report on compliance and internal control over financial reporting based on an audit of the financial statements
3. A report on compliance and internal control over compliance applicable to each major federal program.

In the required report[s] on compliance and internal controls, the auditor shall communicate any significant deficiency or material weakness found during the audit. A *significant deficiency* shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A *material weakness* shall be defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses shall be identified as such in the report. In addition, the following conditions shall be reported:

Control deficiencies discovered by the auditors that are neither significant deficiencies nor material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report[s] on compliance and internal controls. A *control deficiency* shall be deemed to have occurred whenever the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

The report on compliance and internal controls shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the following parties:

First 5 San Benito Staff

Reporting to the First 5 San Benito Staff. Auditors shall assure themselves that the First 5 San Benito's Staff is 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
5. Auditor's judgments about the quality of the entity's accounting principles
6. Other information in documents containing audited financial statements
7. Disagreements with management
8. Management consultation with other accountants
9. Major issues discussed with management prior to retention
10. Difficulties encountered in performing the audit

E. Special Considerations

1. In accordance with Health and Safety Code sections 130150(a) and 130151(c), each county commission's auditor shall annually submit the audit report for the preceding fiscal year by November 1. The report must be filed with both the State Controller's Office (SCO) and the state commission.

III. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Persons/Organizational Chart/Location of Offices

The auditor's principal contact with First 5 San Benito will be Lisa Faulkner, Executive Director, or a designated representative, who will coordinate the assistance to be provided by the First 5 San Benito to the auditor.

B. Background Information

First 5 San Benito serves an area of 1,396 square miles with a population of 57,800. First 5 San Benito's fiscal year begins on July 1 and ends on June 30.

C. Fund Structure

First 5 San Benito receives monthly disbursements from the California Children and Families Commission that are deposited into a First 5 San Benito Children and Families bank account. First 5 San Benito currently has three accounts with Heritage Bank of Commerce, one checking account which serve as the main First 5 San Benito's operating account, one checking account serves as the main payroll account, and one savings account that serves as our Fund Balance account.

D. Basis of Budgeting

First 5 San Benito prepares its budgets on a basis consistent with generally accepted accounting principles.

E. Pension Plans

First 5 San Benito participates in the California Public Employees Retirement Systems (PERS), and agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California and makes contributions to the Defined Benefit Pension Plan.

Actuarial services for these plans are provided by CalPERS.

F. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Lisa Faulkner at 351 Tres Pinos Rd, Suite 100-A, Hollister, CA 95023 (831) 634-2046. First 5 San Benito will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. MANDATORY QUALIFICATIONS OF THE AUDITOR

All proposers must provide the following information:

- A. Affirmation that the proposer is properly licensed for public practice as a certified public accountant in the State of California.
- B. Affirmation that the proposer meets the independence requirements of the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, as published by the California State Controller's Office.

- C. Affirmation that the proposer and any employees proposed to be assigned to this audit do not have a record of substandard audit work nor have any outstanding claim of substandard work or unsatisfactory performance pending with the State Board of Accountancy.

V. ADDITIONAL INFORMATION

- A. First 5 San Benito has been audited by the firm of Grace and Associates the last (5) fiscal years (FY), ending June 30, 2018.
- B. The audit firm will contact the state controller with any notes, extensions and follow up reports if needed.
- C. Reasonable space will be made available in the office of the Auditor for outside audit staff.
- D. Network access to the First 5 San Benito's QuickBooks Account will be made available for the purposes of testing.

VI. SELECTION CRITERIA

The contract awarded will be made to the proposer who is determined by the Commission to provide the best services. The following criteria will be applied:

- A. Responsiveness of proposal in demonstrating an understanding of county government organization and accounting requirements.
- B. Appropriateness and adequacy of proposed audit plan.
- C. Reasonableness of time estimates.
- D. Timeliness of expected completion of engagement.
- E. Local accessibility and on-site availability for consultation, special purpose audits, or other related activities.
- F. Technical experience of firm.
- G. Appropriateness of assigned staff levels.
- H. Qualifications of staff proposed to be assigned to this account. Particular attention will be paid to the government audit experience of staff and the amount of time

such staff is proposed to be on-site. Attention will also be given to how those assigned staffing levels will minimize the coordination efforts of First 5 San Benito staff.

- I. Permanency of staffing arrangements to reasonably assure continuity over the contract period.
- J. Proposed price.
- K. Compliance with Request for Proposal.

VII. FORMAT OF RESPONSE

In order to have a uniform review process and to obtain the maximum degree of comparability, it is required that proposals be organized in the manner specified.

A. Title Page

Show the RFP subject, name of the Proposer's firm, local address, telephone number, name of the contact person, and the date.

B. Table of Contents

Include a clear identification of the material by section and by page number.

C. Letter of Transmittal

Summarize the following:

1. The Proposer's understanding of the work to be performed, making a positive commitment to perform work within the time period.
2. The names of persons authorized to represent the proposer, title, address and telephone number.
3. The name of the person(s) who are authorized to sign for and obligate the firm contractually.

D. Summary of Proposer's Qualifications

1. Identify the audit partner(s), managers, field supervisors and other staff assigned to this audit, including any staff from other than the local office. As an appendix to the proposal, include the resumes of all assigned staff indicating

relevant experience in governmental audits and continuing education. Indicate experience in participating in a Single Audit.

2. Provide a list of the most significant engagements (maximum 5) performed in the past five years, preferably California counties, for which the Proposer's office has conducted audits. At least one of the clients on the list should have engaged the proposer for a single audit and an Enterprise Fund. The list must include the names, titles and telephone numbers of client's representative responsible for the audits listed.

E. Proposer's Approach to the Examination

The audit firm will be required to provide a work plan and schedule showing the dates by which various phases of the audit will be completed. The work plan should include time estimates for each significant segment of the work and the staff level to be assigned. Where possible, individual staff members should be named, and their titles provided. The planned use of specialists should be specified.

As the proposals are to be responsive to the requirement for a Single Audit, the audit work plan should cover what audit work will be accomplished to allow the auditor to render:

1. An opinion on the financial statements.
2. A report on the study and evaluation of internal control systems.
3. The work plan should demonstrate the auditor's understanding of the audit requirements of the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)

F. Methodology and Reporting Format of Investment Portfolio

Describe the methodology, pertinent citations, the exact reporting format, and generic language you propose to use in describing the fiscal year-end investment portfolio's market pricing and valuation. In addition, please describe how you propose to report future fiscal year-end market values emphasizing any correlations with prior-year valuation disclosure.

G. Cost Proposal

1. Total All-Inclusive Maximum Price for the 2019-2020 engagement.

2. Estimate the total number of hours applied to the hourly rate for each position classification assigned to the audit. Specify the number of hours estimated for each position classification for each segment of the audit. Submit such information separately for each of the five fiscal years. These rates are to be used for computing charges for any special reports requested by First 5 San Benito.

H. The proposer shall submit an original and four copies in an envelope marked as follows:

PROPOSAL FOR
FIRST 5 SAN BENITO
TO CONDUCT AN EXAMINATION OF
THE ANNUAL FINANCIAL STATEMENTS
AND COMPLIANCE AUDIT
FOR FISCAL YEAR ENDED JUNE 30, 2019

Proposers should send the completed proposal to the following address:

Lisa Faulkner
Executive Director
351 Tres Pinos Rd., Suite 100-A
Hollister, California 95023

VIII. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

| | |
|------------------------|--------------|
| Due date for proposals | May 17, 2019 |
|------------------------|--------------|

B. Notification and Contract Dates

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|--|--------------|
| Notification of Firms selected for interview | May 22, 2019 |
|--|--------------|

| | |
|---------------|--------------|
| Contract date | June 5, 2019 |
|---------------|--------------|

C. Date Audit May Commence

First 5 San Benito will have all records ready for audit and all management personnel available to meet with the firm's personnel as of September 1.

D. Schedule for the 2018/19 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if First 5 San Benito exercises its option

for additional audits).

Each of the following should be completed by the auditor no later than the dates indicated.

1. Interim Work

The auditor shall complete interim work by August 1, 2019.

2. Detailed Audit Plan

The auditor shall provide First 5 San Benito by August 1, 2019 both a detailed audit plan and a list of all schedules to be prepared by First 5 San Benito.

3. Fieldwork

The auditor shall complete all fieldwork by September 25, 2019

4. Draft Reports

The auditor shall have drafts of the audit report[s] and recommendations to management available for review by the Finance Committee and the Executive Director by October 15, 2019.

E. Date Final Report is Due

The auditor shall provide all recommendations, revisions and suggestions for improvement to the Executive Director by October 10, 2019. A revised report, including [a] draft auditor's report(s) shall be delivered to the Executive Director by October 15, 2019.

The Executive Director and the Audit Committee will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the County Auditor/Controller and Audit Committee within 10 working days. It is anticipated that this process will be completed, and the final report delivered by October 30, 2019.

The final report must be filed with both the State Controller's Office (SCO) and the state commission at the following addresses:

State Controller's Office
Division of Audits
ATTN: First 5 Audit
Oversight Unit
P.O. Box 942850

Sacramento, CA 94250
First 5 California
ATTN: Administrative Services Division
2389 Gateway Oaks Drive, Ste. 260
Sacramento, CA 95833

Reports sent through a private carrier (UPS, Federal Express, etc.) that requires a physical address should be sent to:

State Controller's Office
Division of Audits/Financial Bureau
ATTN: First 5 Audit Oversight Unit
3301 C Street, Suite 725
Sacramento, CA 95816

IX. REPORT PREPARATION

A. Report Preparation

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

X. EVALUATION PROCEDURES

A. Final Selection

First 5 San Benito will select a firm based upon the recommendation of the First 5 Finance Committee.

It is anticipated that a firm will be recommended by May 22, 2019. Following notification, it is expected a contract will be executed between both parties by June 5, 2019

B. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the First 5 San Benito and the firm selected.

The First 5 San Benito reserves the right without prejudice to reject any or all proposals.