

**SOUTH BAY REGIONAL PUBLIC COMMUNICATIONS AUTHORITY  
REQUEST FOR ANNUAL AUDIT SERVICES**

**I. INTRODUCTION:**

The South Bay Regional Public Communications Authority (Authority) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for a three-year period commencing with the fiscal year ending June 30, 2012, with the option of extending the agreement for an additional two fiscal years.

Responses to the proposal should be addressed to Vilma S. Warner, Finance Manager, SBRPCA, 4440 West Broadway, Hawthorne, California 90250, and ***must be received by 5:00 PM on Friday, February 24, 2012.*** The outside of the envelope must identify the RFP subject (*Annual Audit*) and the name of firm. Questions should be directed to Vilma S Warner (310) 973-1802 extension 105.

Three copies of the proposal are required. The Authority reserves the right to reject any or all proposals submitted. Proposals will be evaluated by the Executive Director and the Finance Manager; other evaluators may be added. The anticipated award of the contract will be at an Executive Committee meeting in April 2012. Responding firms shall furnish the Authority with additional information as may be reasonably required.

The Authority is not liable for any costs associated with responding to the request for proposals. There is no expressed or implied obligation for the Authority to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

**II. NATURE OF SERVICES REQUIRED:**

**A. Scope of Work**

The Authority desires the auditor to express an opinion on the fair presentation of its financial statements (the Authority does not publish a Comprehensive Annual Financial Report) in conformity with generally accepted accounting principles.

Balance sheets, statements of revenue, expenditures and changes in fund balance will be prepared by the auditor based on reports from the Authority's financial system. Report preparation, editing, and printing are the responsibility of the auditor. Twenty-five copies of the Financial Statements are required.

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 auditor is not required to audit the schedule of federal financial assistance, should the Authority receive federal financial assistance. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

**B. Auditing Standards to be Followed**

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards (1994)*, the provisions of the Single Audit Act of 1984 (as amended in 1996), U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**C. 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, as necessary, "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.

In the required report(s) on compliance and internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. In addition, the following conditions shall be considered reportable:

Reportable conditions that are also material weaknesses shall be identified as such in the report. 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 reports on compliance and internal controls shall include all instances of noncompliance.

3. A report on compliance and internal control over compliance applicable to each major federal program, as necessary.
4. A copy of the Financial Statements in PDF format on disc.

**D. Special Considerations**

1. The Schedule of Expenditures of Federal Awards, as necessary, and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the Financial Statements, but are to be issued separately.

**E. 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 three (3) years, unless the firm is notified in writing by the Authority of the need to extend the retention period.

The auditor will be required to make working papers available, upon request, to the Authority or other agencies as necessary. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

### **III. DESCRIPTION OF THE AUTHORITY**

#### **A. Contact Information/Location of Offices**

The auditor's principal contact with the Authority will be the Finance Manager, or a designated representative, who will coordinate the assistance to be provided by the Authority to the auditor.

An Authority organizational chart (Appendix A), and a list of Authority Officials (Appendix B) are attached.

#### **B. Background Information**

The South Bay Regional Public Communications Authority (the Authority), also known as RCC (Regional Communications Center), was organized on October 14, 1975 under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The purpose of the Authority is to provide a forum for discussion, study, development, implementation, operations, and maintenance of a consolidated regional public safety services communications system. At the present time, the Authority serves the Cities of Gardena, Hawthorne, and Manhattan Beach in the aforementioned capacity. The Authority also provides communications services to the City of Hermosa Beach under cash contract.

The RCC's Board of Directors, consisting of one Council Member from each of the Member Cities, maintains authority over the annual budget for the Authority. Policy management is relegated to the Executive Committee, consisting of City Managers from each of the Member Cities. The Executive Director, who is appointed by the Executive Committee, manages the day-to-day operations.

A User Committee, consisting of Police and Fire Chiefs from the Member Cities, provides direction relative to the needs of the organization. Police Officers and Firefighters from the Member Cities make up the Police and Fire Task Forces, which provide feedback and recommendations to facilitate an optimum level of service and safety for citizens, police officers, and firefighters. The RCC annually processes approximately 200,000 police and fire incidents in the Southern California region commonly referred to as the "South Bay."

The RCC is currently budgeted for 61 full-time positions. A Technical Services staff of six installs radio communication equipment, light bars, mobile cameras, computer systems, and all necessary equipment for full-service, emergency vehicles.

Staff also provides technical services to the following outside agencies: Cal State Dominguez Hills University Police Department; El Camino College Campus Police Department; Gardena Public Works Department; Hermosa Beach Public Works Department; L.A. Impact; and Manhattan Beach Public Works Department.

### **RCC Infrastructure**

To provide the greatest coverage for all emergency communications, the RCC maintains the following radio transmitter/receiver sites: Punta Place in Palos Verdes; Beach Cities Health District Facility in Redondo Beach; Gardena Police Department Headquarters; Manhattan Beach Pier; Manhattan Beach Water Tower; Grandview Site in Manhattan Beach; RCC's Headquarters in Hawthorne; and Hermosa Beach's View School.

The SBRPCA has developed an Infrastructure Strategic Plan to ensure that these radio sites are well-maintained and funding for repairs/upgrades are discussed and funded during the annual budget process.

#### **C. Fund Structure**

The Authority uses only one fund, as Enterprise Fund, and occasionally and special revenues fund.

#### **D. Basis of Accounting and Budgeting**

The Authority prepares its budgets and accounts for its financial activities on a basis consistent with generally accepted accounting principles.

#### **E. Pension Plans**

The Authority participates in CALPERS.

#### **F. Size of Finance Operations**

The Finance Manager and a Financial Accountant are the only staff members to manage/execute all financial activities. The Authority's primary revenue source is the assessments to its members, billed on a quarterly basis. The Authority uses financial software, EDEN. Accounts payables and payroll are processed bi-weekly and are not submitted to the Executive Committee/Board of Directors for approval. The Authority does not operate a cash register but uses Image Deposit (electronic deposits) for all checks received. All cash transactions are

entered into the General Ledger by journal entries. Investments are held only with LAIF. The Authority maintains banking relations with a local bank.

**G. Bonds**

The Authority does not carry any obligation bonds.

**IV. TIMING AND OTHER REQUIREMENTS**

**A. Proposal/Engagement Calendar**

The following is a tentative list of key dates related to selection of the auditor and the engagement.

- Request for proposal issued December 27, 2011
- Due date for proposals February 24, 2012
- Award of Bid April, 2007
- Interim audit work May/June, 2012
- Commencement of audit July/September, 2012
- Financial Statements issued November, 2012

The above audit schedule is exemplary: the actual schedule will be developed prior to each year's audit.

**B. Other Requirements**

1. The auditor will sign a Professional Services Agreement with the Authority upon award of bid.
2. Staffing of the audit must be such as to minimize interference with the normal daily operations of the Authority staff and to complete the audit in a timely manner. Authority staff will be available to provide information, documentation and explanation, and locate and re-file supporting documents. Authority staff will prepare confirmations as requested by the auditor.
3. Changes in staff assigned to the audit must be approved by the Authority in advance.

4. The auditor will meet with the Executive Director, Finance Manager, and appropriate staff periodically during the audit to discuss timing and progress.
5. An exit conference will be held prior to the conclusion of the audit to discuss observations and findings.
6. The auditor should be available to meet with the Finance Manager or designated staff throughout the year, as needed, to provide consultation on various accounting and auditing matters.
7. Additional fees for work not included within the scope of services contained herein must be authorized *in advance* by the Executive Director/Finance Manager. Written documentation must be provided before any additional cost is incurred.
8. As a part of the audit engagement, the firm must be available to make a presentation or answer questions when the audit report is submitted to the Executive Committee.

**V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

**A. Finance Department and Clerical Assistance**

The Finance staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of Authority.

**B. Statements and Schedules to be prepared by Authority staff**

Cash and Investments  
Bank Reconciliation  
Receivables  
Interest Receivable on Pooled Cash & Investments  
Fixed Asset Additions and Retirements  
Depreciation Schedule - Proprietary Funds  
Prepaid Expenses  
Schedule of Accounts Payable  
Expenditure and Revenue Reports  
Trial Balance Report  
Accrued Compensated Absences  
Capital Leases (if applicable)

**C. Work Area, Telephones, Photocopying and FAX Machines**

The Authority will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with reasonable access to a telephone, photocopying facilities, and FAX machines.

**D. Report Preparation**

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

**VI. PROPOSAL REQUIREMENTS**

**A. General Requirements**

1. Pre-proposal

No pre-proposal conference is planned.

2. Inquiries

Inquiries should be directed to:

Vilma S. Warner  
4440 West Broadway  
Hawthorne, CA 90250  
Phone (310) 973-1802 ext 105

3. Submission of Proposals

The following material is required to be received by 5:00PM, February 24, 2012 for a proposing firm to be considered:

a. A master copy (so marked) of a Technical Proposal and three (3) copies to include the following:

i. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

- ii. Table of Contents
  - iii. Transmittal Letter  
A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for stated period of time.
  - iv. Detailed Proposal  
The detailed proposal should follow the order set forth in Section VI B of this request for proposals.
  - v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposals.
- b. The proposer shall submit an original and three (3) copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID  
PROPOSAL  
FOR  
THE SOUTH BAY REGIONAL  
PUBLIC COMMUNICATIONS AUTHORITY  
FOR  
ANNUAL AUDIT  
FEBRUARY 24, 2012

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

VILMA S. WARNER  
SBRPCA  
4440 WEST BROADWAY  
HAWTHORNE, CA 90250

**(Failure to provide information required by the request for proposals may be grounds for elimination from the selection process)**

## **B. Technical Proposal**

### **1. General Requirements**

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Authority in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 9, must be included. They represent the criteria against which the proposal will be evaluated.

### **2. Independence**

The firm should provide an affirmative statement that is independent of the Authority as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards* (1994).

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the Authority or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

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

3. License to Practice in California

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

4. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

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

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in California. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and

membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Authority. However, in either case, the Authority retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the Authority, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the Authority

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the Authority by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as Authority's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement  
NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL
- c. Sample size and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the Authority's internal control structure
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance
- i. Identification of Anticipated Potential Audit Problems  
The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Authority.

9. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

**C. Sealed Dollar Cost Bid**

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The Authority will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm.
  - b. Certification 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 Authority.
  - c. A Total All-Inclusive Maximum Price for the 2011-2012 engagement and for each of the following two years. Indicate how additional years fees would be calculated if the agreement is extended.
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each.
3. Rates for Additional Professional Services.

If it should become necessary for Authority to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between Authority and the firm. Any such additional work agreed to between Authority and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

4. Manner of Payment

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

**VII. EVALUATION PROCEDURES**

**A. Review of Proposals**

The Selection Committee will use a point formula during the review process to score proposals. Each technical proposal will be scored by each of the criteria described in Section VII B below.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

The Authority reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

**B. Evaluation Criteria**

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

1. Mandatory Elements
  - a. The audit firm is independent and licensed to practice in California.
  - b. The firm has no conflict of interest with regard to any other work performed by the firm for the Authority.
  - c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
  - d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
  
2. Technical Quality:
  - a. Expertise and Experience
    - i. The firm's past experience and performance on comparable government engagements.
    - ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
  
  - b. Audit Approach
    - i. Adequacy of proposed staffing plan for various segments of the engagement.
    - ii. Adequacy of sampling techniques.
    - iii. Adequacy of analytical procedures.
  
3. Price:

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

**C. Oral Presentations**

During the evaluation process, the Selection Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the City may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

**D. Final Selection**

The Executive Committee will select a firm based upon the recommendation of the Selection Committee.

**E. 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 Authority and the firm selected.

The Authority reserves the right without prejudice to reject any or all proposals.