



HUMBOLDT BAY MUNICIPAL WATER DISTRICT

REQUEST FOR PROPOSAL (RFP)

ANNUAL AUDITING SERVICES

DEADLINE FOR SUBMISSION OF PROPOSALS IS: MARCH 4, 2025 – 4:00PM

HUMBOLDT BAY MUNICIPAL WATER DISTRICT

828 7th Street
Eureka, CA 95501
707-443-5018



Request for Proposal for Annual Auditing Services

INTRODUCTION and GENERAL RFP SUMMARY

The Humboldt Bay Municipal Water District (HBMWD, District) is seeking proposals from highly qualified and experienced independent certified public accounting firms to audit and report on the financial position and internal controls of the District. Such firms must be licensed to practice in the State of California and regularly perform financial audits for local government agencies, particularly California Special Districts.

The District operates on a fiscal year of July 1 to June 30 and anticipates a three-year audit service agreement beginning with the audit for fiscal year ending June 30, 2025. At the discretion of the Audit Committee and Board of Directors, the agreement may be extended to include three additional audit years.

Proposals must be received by 4:00 pm on March 4, 2025. Proposals must be submitted electronically (harris@hbmwd.com) and should be addressed to Chris Harris, Business Manager. Questions may be directed to Chris Harris at the email address listed above.

All proposals will be reviewed and evaluated by the District's Audit Committee, the General Manager, and the Business Manager. The Audit Committee, at its discretion, may request a virtual meeting with one or more of the firms regarding their submitted proposals. The Audit Committee will provide feedback to the Board of Directors, who shall make the final decision as to which firm to award a contract (anticipated April 2025). The District reserves the right to reject any or all proposals submitted, and to accept other than the lowest bid proposal. 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. All material submitted in response to this RFP shall be considered property of the District and are subject to public inspection under the California Public Records Act (Government Code Sec. 6250).

OVERVIEW OF THE DISTRICT

General Information:

The Humboldt Bay Municipal Water District was formed in 1956 pursuant to the California Municipal Water District Act. The District is a Special District, a form of local government in the State of California. A five-member elected Board is the governing body of the organization. The District has an Audit Committee who will be involved in the selection process. The Audit Committee is comprised of the Secretary/Treasurer and another member of the Board (see attached Purpose Statement for additional details).

The District was created to develop a regional water system to provide a reliable supply of drinking and industrial water to customers in the greater Humboldt Bay area of Humboldt County. Current facilities and operations of the District include: 1) R.W. Matthews Dam which forms Ruth Reservoir in southern Trinity County, 2) Gosselin hydro-electric power house at Matthews Dam, 3) John R. Winzler Sr. diversion, pumping and control facilities adjacent to the Mad River at Essex, 4) Lloyd and Barbara Hecathorn Turbidity Reduction Facility (TRF), 5) storage and treatment facilities; and 6) two separate and distinct pipeline systems which deliver treated drinking water or untreated raw water to the District's customers.

The District supplies treated drinking water on a wholesale basis to seven municipal agencies in the greater Humboldt Bay area, ultimately providing drinking water to approximately 94,000 citizens in Humboldt County. The District's wholesale municipal customers include: the cities of Arcata, Blue Lake, and Eureka; and Community Services Districts (CSD) including Fieldbrook-Glendale CSD, Humboldt CSD, Manila CSD, and McKinleyville CSD. The District previously supplied untreated, raw water on a wholesale basis to industrial customers on the Samoa Peninsula. Currently, the District does not have a large industrial customer. The District also provides direct retail water service to approximately 200 customers who reside outside the boundaries of other municipalities. Additionally, the District is contracted to provide all maintenance and operations services for Fieldbrook-Glendale Community Services District to support their water system.

Accounting Staff and Financial System:

The financial staff, under the direction of the General Manager, includes the Business Manager, Finance Specialist, and Accounting Technicians who are responsible for cash receipts, daily deposits, accounts payable, payroll processing, and utility billing. The District uses Caselle as its accounting software. The District maintains its accounts on a cash basis and all closing and accrual entries are completed by the Business Manager.

The Board of Directors approves an operating and capital budget each year. This budget authorizes 28 full time employees as well as several part-time and seasonal employees. Financial and budget activity is managed through the accounting software. Fixed assets (and depreciation schedule) are tracked using Excel spreadsheets and are manually interfaced with the general ledger. The Board of Directors receives and approves a monthly financial report that presents

monthly and year-to-date financial activity of the District (fund balances, receipts, expenditures, and budget vs. actuals).

SCOPE OF WORK REQUIRED

1. Audit of the District's financial statements for the fiscal years ending June 30, 2025, 2026 and 2027. The audit shall be performed in accordance with:
 - a. Generally accepted auditing standards in the United States;
 - b. Standards for financial audits as set forth by the U.S. General Accounting Office's Government Auditing Standards;
 - c. Minimum Audit Requirements for California Special Districts issued by the California State Controller's Office for Special Districts.
2. The purpose of this audit is for the auditor to express an opinion as to whether the District's financial statements are fairly presented, in all material respects, in conformance with generally accepted accounting standards.
3. The audit report shall include a Management Letter indicating any deficiencies or opportunities for accounting and reporting improvements, specifically identifying any reportable conditions or material weaknesses. The auditor shall disclose any irregularities or illegal acts.
4. Completion of the District's Comprehensive Annual Financial Report (CAFR). This report shall present the District's audited financial statements. It shall also include:
 - a. Management's Discussion and Analysis (which shall be prepared by the District);
 - b. Notes to the financial statements adding relevant and supporting details; and
 - c. Supplementary information, including a schedule of operating expenses; a summary of changes in property plant and equipment; a schedule of actual versus budgeted expenditures; an operating summary for the hydro-electric plant; and a summary of insurance policies/coverage.
5. A report on internal controls related to the financial statements. This report shall also cover compliance with laws, regulations and any specific provisions of contracts or grant agreements in accordance with Government Auditing Standards.
6. Preparation of the California State Controller's Report for Special Districts, in accordance with all applicable standards and requirements.
7. Based on prior and current Federal grant funding, the District has intermittently been subject to the Single Audit Act in accordance with OMB Circular A-133. The auditor shall verify this during the audit process. If the Federal Single Audit Act is required, the audit shall meet all applicable requirements.

8. Professional assistance and advice during the audit engagement regarding compliance with applicable Government Accounting Standards Board (GASB) standards and internal control standards.

9. Other requirements:
 - a. Periodic virtual meetings as needed with the Business Manager (and/or General Manager) and accounting staff to discuss timing and progress;
 - b. Two meetings with the District's Audit Committee - one at the beginning of the process to discuss the scope and schedule of the audit, and one at the conclusion of the process to discuss audit findings and recommendations;
 - c. It is anticipated that audit work will be completed offsite and virtually. If onsite work is required, the auditing firm must provide a certificate for both Worker's Compensation Insurance and Liability Insurance;
 - d. Meeting (typically virtual) with the Board of Directors during a regular meeting to present the draft audited financial statements and audit reports for final review and approval;
 - e. Be readily available to provide consultation regarding accounting and compliance issues as necessary throughout the contract period;
 - f. The auditor shall dedicate sufficient staff to minimize undue interference with normal operations of the District. District staff will be available to support the audit process, in particular, to answer questions, to provide data or other information, and to find supporting documents as requested by the auditor;
 - g. The auditor shall provide one hard copy of the final CAFR and one electronic copy in ".pdf" format.
 - h. The auditor shall maintain comprehensive general liability and professional liability coverage in accordance with District requirements, and prior to execution of contract shall provide a Certificate of Insurance. Please see section "Coverages" in the sample Professional Services Contract (attached).

PROPOSAL REQUIREMENTS

Proposals shall be submitted no later than 4:00 pm (Pacific Standard Time) on March 4, 2025. Any proposals received after the due date will not be accepted. **Proposals shall be emailed accordingly:**

1. One electronic copy of the proposal in PDF format labeled "Professional Auditing Services" emailed to Chris Harris at harris@hbmwd.com. A proposal receipt will be acknowledged by return email.
2. Provide a cover letter on company letterhead addressing the proposal. The letter shall be signed by an officer of the professional auditing firm authorized to bind the firm to all comments made in the proposal, and shall include the name, address, and phone number of the person(s) to contact who will be authorized to represent the firm. In addition, the cover letter must acknowledge receipt of any and all addenda (if any) issued in association with the RFP.
3. The proposal shall further include:
 - a. Description of the scope of work to be performed, including a brief discussion of a technical approach and management approach;
 - b. Schedule showing key activities, milestones, and deliverables;
 - c. Summary of information and staff support that will be requested of the District;
4. In addition, the proposal shall include an overview of the audit firm, including:
 - a. Experience with respect to auditing special districts or other governmental agencies;
 - b. List of references for which the firm has performed recent governmental audits;
 - c. Description of qualifications of personnel who will be assigned to this engagement; and
 - d. Any additional information on qualifications relevant to the engagement.
5. Costs and Fees
 - a. Cost of the audit engagement to complete work specified in the above "Services Required" section;
 - b. Cost of the Single Audit Act (if needed) in accordance with OMB Circular A-133;
 - c. The applicable hourly billing rate for any additional services requested.

SELECTION CRITERIA

All proposals will be reviewed and evaluated by the District's Audit Committee. The Audit Committee, at its discretion, may request a virtual meeting with one or more of the firms regarding their submitted proposals. The Audit Committee will provide feedback to the Board of Directors, who shall make the final decision as to which firm to award a contract.

Selection criteria will include the following:

1. Responsiveness of the proposal to the scope of services requested;

2. Prior experience in providing auditing services to California Special Districts;
3. Prior experience in providing auditing services in compliance with the Single Audit Act in accordance with OMB Circular A – 133;
4. Qualifications of the firm, and in particular, the assigned principal and audit team;
5. Cost.

ANTICIPATED TIMELINE

<u>ITEM</u>	<u>TENTATIVE DATES</u>
Issue Request for Proposals (RFP)	February 4, 2025
Proposals due by 4pm	March 4, 2025
Audit Committee meets to review and discuss proposals	March 5-31, 2025
Board of Directors selects firm, contract awarded	April 10, 2025 (anticipated)
Execute Contract	April 15-30, 2025
Work to Begin	September 15, 2025

Proposal receipt will be acknowledged by email. The cost of preparing and submitting a proposal, pre-contract meetings, and participating in an interview (if held) are at the sole expense of the proposer. The District reserves the right to reject any or all proposals, and to waive any informality, technical defect, or clerical error in any proposal at the District’s discretion.

Humboldt Bay Municipal Water District

Audit Committee Purpose Statement

COMPOSITION

The Audit Committee is a standing committee of the Board of Directors composed of the following representatives:

1. the Secretary/Treasurer
2. one additional Board member to be appointed by the President. This appointment shall be for a one-year term to commence at the beginning of each fiscal year.

PURPOSE

The purpose of the Audit Committee is to oversee the Humboldt Bay Municipal Water District's annual audit process, and to assist the Board in its oversight of the following areas:

1. the integrity of the District's financial statements;
2. the District's compliance with legal and regulatory requirements;
3. the qualifications and independence of the District's independent auditor; and
4. the performance of the District's internal audit function.

The Committee is advisory to the Board and shall have no decision-making authority.

ACTIVITIES

Typical activities in which the Committee will be involved include:

1. meeting with the independent auditor and management at the beginning of the audit process to discuss the scope of services to be provided and any particular areas of interest;
2. receiving reports directly from the independent auditor;
3. meeting periodically with the independent auditor, separate from management;
4. overseeing the independent auditor during the audit process; and
5. preparing recommendations to the Board if improvements to financial reporting or internal controls are warranted.

To the extent permitted by law, Consultant shall hold harmless, defend at its own expense, and indemnify Humboldt Bay Municipal Water District, its directors, officers, employees, and authorized volunteers, against any and all liability, claims, losses, damages, or expenses, including reasonable attorney's fees and costs, arising from all acts or omissions of Consultant or its officers, agents, or employees in rendering services under this contract; excluding, however, such liability, claims, losses, damages or expenses arising from Humboldt Bay Municipal Water District's sole negligence or willful acts.

Minimum Insurance Requirements: Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries or death to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the Consultant, his agents, representatives, employees or sub-contractors.

Coverage - Coverage shall be at least as broad as the following:

1. **Commercial General Liability (CGL) -** Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 00 01) including products and completed operations, property damage, bodily injury, personal and advertising injury with limit of at least two million dollars (\$2,000,000) per occurrence or the full per occurrence limits of the policies available, whichever is greater. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (coverage as broad as the ISO CG 25 03, or ISO CG 25 04 endorsement provided to Humboldt Bay Municipal Water District) or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability –** (if necessary) Insurance Services Office (ISO) Business Auto Coverage (Form CA 00 01), covering Symbol 1 (any auto) or if Consultant has no owned autos, Symbol 8 (hired) and 9 (non-owned) with limit of one million dollars (\$1,000,000) for bodily injury and property damage each accident.
3. **Workers' Compensation Insurance -** as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease. **Waiver of Subrogation:** The insurer(s) named above agree to waive all rights of subrogation against the Humboldt Bay Municipal Water District, its elected or appointed officers, officials, agents, authorized volunteers and employees for losses paid under the terms of this policy which arise from work performed by the Named Insured for the Agency; but this provision applies regardless of whether or not the Humboldt Bay Municipal Water District has received a waiver of subrogation from the insurer.
4. **Professional Liability -** (Also known as Errors & Omission – *Technology Exposure – see pg. 4 Other Considerations) Insurance appropriate to the Consultant profession, with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.

If Claims Made Policies:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work.
3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.

If the Consultant maintains broader coverage and/or higher limits than the minimums shown above, Humboldt Bay Municipal Water District requires and shall be entitled to the broader coverage and/or higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to Humboldt Bay Municipal Water District.

Other Required Provisions - The general liability policy must contain, or be endorsed to contain, the following provisions:

1. **Additional Insured Status:** Humboldt Bay Municipal Water District, its directors, officers, employees, and authorized volunteers are to be given insured status (at least as broad as ISO Form CG 20 10 10 01), with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts, or equipment furnished in connection with such work or operations.
2. **Primary Coverage:** For any claims related to this project, the Consultant's insurance coverage shall be primary (at least as broad as ISO CG 20 01 04 13) with respect to Humboldt Bay Municipal Water District, its directors, officers, employees and authorized volunteers. Any insurance or self-insurance maintained by the Humboldt Bay Municipal Water District its directors, officers, employees and authorized volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

Notice of Cancellation: Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the Humboldt Bay Municipal Water District.

Self-Insured Retentions - Self-insured retentions must be declared to and approved by Humboldt Bay Municipal Water District. Humboldt Bay Municipal Water District may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or Humboldt Bay Municipal Water District.

Acceptability of Insurers - Insurance is to be placed with insurers having a current A.M. Best rating of no less than A: VII or as otherwise approved by Humboldt Bay Municipal Water District.

Verification of Coverage – Consultant shall furnish Humboldt Bay Municipal Water District with certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the Humboldt Bay Municipal Water District before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. Humboldt Bay Municipal Water District reserves the right to require complete, certified copies of all required insurance policies, including policy Declaration pages and Endorsement pages.

Sub-contractors - Consultant shall require and verify that all sub-contractor maintain insurance meeting all the requirements stated herein, and Consultant shall ensure that Humboldt Bay Municipal Water District its directors, officers, employees, and authorized volunteers are an additional insured are an additional insured on Commercial General Liability Coverage.

Other Contractual considerations:

Professional Services – Professional Liability coverage is normally required if the Consultant is providing a professional service regulated by the state (Examples of service providers regulated by the state are insurance agents, doctors, certified public accountants, lawyers, etc.). However, other professional Consultants, such as computer or software designers, and services providers such as claims administrators, should also have professional liability. If in doubt, consult with your risk management or JPIA Member Services.

***If Technology Vendor Provider - include:**

Cyber Liability Insurance (Technology Professional Liability – Errors and Omissions), with limits not less than \$2,000,000 per occurrence or claim, and \$2,000,000 aggregate or the full per occurrence limits of the policies available, whichever is greater. Coverage shall be sufficiently broad to respond to the duties and obligations as is undertaken by Vendor in this Agreement and shall include, but not be limited to, claims involving infringement of intellectual property, including but not limited to infringement of copyright, trademark, trade dress, invasion of privacy violations, information theft, damage to or destruction of electronic information, release of private information, alteration of electronic information, extortion and network security. The policy shall provide coverage for breach response costs as well as regulatory fines and penalties as well as credit monitoring expenses with limits sufficient to respond to these obligations.