ORANGE WATER & SEWER AUTHORITY
REQUEST FOR QUALIFICATIONS/PROPOSALS
AUDIT SERVICES

The Board of Directors of Orange Water & Sewer Authority (hereinafter called "OWASA") invites qualified independent auditors (hereinafter called "Auditor") having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Qualifications/Proposals (RFQ/RFP) to submit a proposal.

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

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with this RFP shall govern in any resulting contract(s) unless approved otherwise in writing by OWASA. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Orange County, North Carolina.

TYPE OF AUDIT

The audit will encompass a financial and compliance examination of OWASA's Annual Comprehensive Financial Report (ACFR) in accordance with the laws and/or regulations of the state of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; *Government Auditing Standards,* July 2018 revisions*;* the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; the State Single Audit Implementation Act; and all other applicable laws and regulations.

The scope of the audit and all fee quotes presented should include all approved and known pronouncements through the date of proposal submission. This includes, but is not limited to, the Governmental Accounting Standards Board (GASB) statements and *Government Auditing Standards.* Although some pronouncements will not be in effect until after the first year of the audit, estimates for future years should include pronouncements that will become effective during that contract period. The audit firm will be expected to advise appropriate Authority staff on the applicability of accounting and reporting standards as they become effective.

PERIOD

OWASA desires a relationship with the Auditor for no less than three years starting with the fiscal year ending June 30, 2022. However, OWASA contracts for its financial audit on an annual basis. Continuation after the first year is subject to the annual approval of OWASA's governing board; such approval will be based on a review of the Auditor's performance, recommendation of OWASA's staff, satisfactory negotiation of terms (including price), and availability of an appropriation. OWASA reserves the right to issue an RFP for auditing services at any time. With the understanding that OWASA will be obligated by contract for only the first year, proposals should be prepared for the fiscal years ending:

July 1, 2021 to June 30, 2022
July 1, 2022 to June 30, 2023
July 1, 2023 to June 30, 2024

REQUIREMENTS

The audit firm is considered to be an independent contractor and will be wholly responsible for the services and the supervision of its own employees and permitted sub-contractors.

The audit must be conducted in accordance with Generally Accepted Auditing Standards (GAAS), *Government Auditing Standards*, July 2018 revisions issued by the Comptroller General of the United States; and if applicable, the US Office of Management and Budget's (OMB) Uniform Guidance; and, if applicable, the State Single Audit Implementation Act, and any other applicable procedures for the audit of a local government's financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). By accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in Government Auditing Standards. The Auditor must provide a copy of their most recent peer review report with their proposal.

The Authority staff will prepare all standard year-end accruals and other adjusting journal entries as well as any necessary entries to allocate the state pension balances and necessary Other Post-Employment Benefits (OPEB) entries. The Authority shall designate an individual, such as the Finance Officer, with the suitable skills, knowledge and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. Authority management will ultimately be responsible for the preparation and fair presentation of the financial statements, which includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements. The Authority will need the assistance of the Financial Statement Preparer for the preparation, typing and proofing of the ACFR. OWASA will prepare or be actively involved in preparing the Letter of Transmittal, Management's Discussion & Analysis and other information, statements and schedules. A substantially complete draft of the ACFR will be presented to OWASA's Board of Directors no later than at its meeting on the fourth Thursday of September following the end of the audited fiscal year. The Financial Statement Preparer will submit the draft to OWASA prior to the Board Meeting on a date (to be determined) that will provide OWASA sufficient time to perform a thorough review.

OWASA will be responsible for printing the ACFR. The final electronic version of the ACFR and all other applicable reports, schedules, letters and opinions must be supplied to OWASA in a single portable document format (PDF) within a time-frame that allows the delivery of the ACFR to the North Carolina Local Government Commission (LGC) no later than four (4) months following the end of the fiscal year. The Auditor is responsible for completing the required data input sheet.

The financial audit opinion will cover the financial statements for a stand-alone enterprise fund. However, due to the manner in which OWASA's Board is appointed, OWASA is considered to be a component unit of the Town of Chapel Hill. Therefore, certain information from the Town of Chapel Hill will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the financial statements taken as a whole. The Auditor shall also express an opinion on the budgetary comparison information for the enterprise fund and capital projects fund. An opinion will not be given on the Management's Discussion and Analysis.

The audit will also include the following:

- *Preplanning conference*
- *Preparation of letter disclosing and discussing informal/non-material comments (not included in the management letter)*

- *Management letter presented to the Executive Director and the Director of Finance and Customer Service*
- *Presentation of the financial statement to the Board of Directors on the fourth Thursday of September following the end of the audited fiscal year.*

The working papers shall be retained and made available upon request by OWASA for no less than three years from the date of the audit report.

In the event that circumstances arise during the audit that requires work to be performed above the original estimates, such cost will be negotiated prior to commencement of work and an amended contract will be approved by the Board and forwarded to the staff of the LGC for approval.

AUDIT CONTRACT AND PAYMENT OF SERVICES

The audit contract must be approved by the LGC. All requests for payments are subject to approval by the LGC prior to being processed by OWASA. Interim or progress billings will be accepted for up to75% of the total fee prior to submission of the audited financial statements to the LGC. The final invoice will not be paid until the ACFR, Single Audit and Management Letter have been reviewed and approved by the LGC.

OTHER SERVICES

The Financial Statement Preparer will submit a draft of the ACFR in native file format for review by the Director of Finance and Customer Service. The Director of Finance and Customer Service will return the draft with proposed revisions within ten working days. The Auditor will submit a final in PDF format.

The Auditor will assist management's efforts to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

OWASA's Bond Order requires that the Auditor calculate OWASA's Debt Service Coverage Ratio (DSCR) and comment on the unit's compliance with the DSCR and other debt covenants.

DESCRIPTION OF SELECTION PROCESS

Proposals should be submitted in two sections. The first section should be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits. It should also include the various methodologies used in testing the financial statements. The second section shall be separately sealed and be comprised of the audit cost estimates.

The first section of all RFP's will be reviewed and evaluated. OWASA staff will evaluate the Auditor's education, technical qualifications and governmental audit experience. The selected top firms will make a presentation and respond to questions from a panel comprised of OWASA staff and members of the Board of Directors. It is expected that this session will be hosted virtually. The panel will open and review the second section of only the top firms. The firm best meeting OWASA's expectations for experience, audit approach, and cost will be recommended by the panel.

Please keep in mind that cost, while an important factor, will not be the sole determining factor. The lowest bid will not necessarily be awarded the audit contract.

OWASA requests that no OWASA officials be contacted during this process. The Finance Officer may be contacted only to clarify questions concerning the RFP.

OWASA reserves the right to reject any or all bids, waive technicalities, and to be the sole judge of suitability of the services for the intended use. Additionally, OWASA specifically reserves the right to make the award in the best interest of OWASA.

Failure to respond to any requirements outlined in this RFP, or failure to enclose copies of the required documents, may disqualify the bid. Firms must be registered with the North Carolina State Board of CPA Examiners.

FIRST SECTION

The first section should address the information below. Responses should reference the item number.

1. Indicate the audit firm's North Carolina office location(s) that will handle the audit.

2. Indicate the number of people (by level) located within the local office that will be assigned to the audit.

3. Provide a list of the local office's current and prior government audit clients indicating the type(s) of services performed and the number of years served for each. Include any relevant information regarding audits performed on financial statements prepared under the GASB reporting model.

4. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the years(s) of engagement.

5. Describe your audit organization's participation in American Institute of CPA's sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.

6. Describe the professional experience in governmental audits of each senior and higher-level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level person will spend on the engagement. Relevant experience with GASB reporting requirements should be disclosed.

7. Describe the relevant educational background of each senior level and higher person assigned to the audit. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.

8. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., utilities, water and sewer, enterprise funds and component units).

9. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in state or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.

10. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for reference.

11. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2018 Revision. Provide a copy of the firm's Statement of Policy and Procedures.
12. Describe the firm's liability insurance coverage arrangements.

13. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

14. Comment on your knowledge of and relationship with the NC Local Government Commission and the University of North Carolina School of Government in Chapel Hill.

SECOND SECTION

Proposals should include completed cost estimate sheets and any other necessary cost information in a ***separate, sealed*** envelope marked "Cost Estimate." OWASA plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.

This second section shall include the following information:

1. Type of audit program used (tailor-made, standard government, or standard commercial).

2. Use of statistical sampling.

3. Use of automated processes and internal control testing methods.

4. Use of computer audit specialists.

5. Organization of the audit team and the approximate percentage of time spent on the audit by each member.

6. Information that will be contained in the management letter.

7. Use of OWASA accounting staff, if other than outlined in the RFP.

8. Assistance expected from OWASA's non-accounting staff.

9. Tentative schedule for completing the audit.

10. Costs using the format below for the audit year July 1, 2021 to June 30, 2022. For the two audit years which follow, list estimated costs. The cost for the audit year ending June 30, 2022 is binding while the two years which follow are estimates. Cost estimates must indicate the basis for the charges and whether the amount is a "not-to-exceed" amount.

    A. Manpower costs – itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.).
        1.) Estimated hours – categorize estimated hours into the following: interim work, year-end financial work and year-end compliance work.
        2.) Rate per hour.
        3.) Total cost for each category of personnel and for all manpower costs.

B. Travel – itemize transportation and other travel costs separately. In recent years the audit has been successfully conducted remotely. OWASA encourages firms to conduct the audit remotely.

C. Itemized cost of supplies and materials.

D. Other costs –identify and itemize.

E. If applicable, note the method of determining increases in audit costs from Year One to Year Three.

F. Include the Summary of Audit Costs Sheet found on page 10 of this RFP in addition to the above itemizations.

11. Other information you may wish to provide.

TIME SCHEDULE FOR AWARDING THE CONTRACT

Requests for an electronic version of this RFP can be obtained from OWASA's website or from Kelly Satterfield at ksatterfield@owasa.org.

Proposals signed by authorized officials can either be submitted electronically (email) to swinters@owasa.org or on paper by Monday, December 20, 2021 at 3:00 p.m. Envelopes containing proposals should be clearly identified on the front as responses to RFP for auditing services.

- Emails should include two separate pdf attachments for sections 1 and 2
- Envelopes should include five copies of the bound proposal (clearly separating section 1 and 2) should be delivered to: Stephen Winters, Director of Finance and Customer Service at Orange Water and Sewer Authority, 400 Jones Ferry Road, Carrboro, NC 27510-2001. Please provide a clear identification (table of contents) of all materials submitted with your proposal by section and page number.

A recommendation is tentatively scheduled to be made to the Board of Directors at its regular business meeting on January 13, 2022, at which time the contract will be awarded.

Any questions should be directed to Stephen Winters, Director of Finance and Customer Service, at 919-537-4230 (swinters@owasa.org) or Kelly Satterfield, Finance and Procurement Manager at 919-537-4238 (ksatterfield@owasa.org).

DESCRIPTION OF OWASA AND ITS ACCOUNTING STRUCTURE

Description

OWASA was established in 1977 and is a component unit of the Town of Chapel Hill in North Carolina. OWASA operates a water and sewer system that provides services to Chapel Hill, Carrboro and portions of southern Orange County. OWASA does not provide other general-purpose government services or programs. OWASA's operations, capital improvements program and debt service payments are funded almost entirely through rates, fees and other charges for these water and sewer services.

FUNDS

OWASA's financial statements are presented as an Enterprise Fund. Recent ACFRs and Budgets are available on OWASA's website www.owasa.org.

GRANTS, ENTITLEMENTS, AND SHARED REVENUES

A copy of the Schedule of Federal and State Expenditures and a Summary of Auditor's Results showing the major programs for the year ended June 30, 2021 can be found in the ACFR located on OWASA's website. OWASA receives state and federal loans from time to time and expects to receive low interest state reserve project loans during the year ending June 30, 2022.

BUDGETS

OWASA budgets all funds on the modified accrual basis of accounting as required by North Carolina General Statutes. Both the budgetary and encumbrance systems are integrated with the accounting system to simplify comparison with actual expenditures. Appropriations are developed at the departmental level and the budget ordinance is adopted at the divisional level by the Board of Directors.

ACCOUNTING RECORDS

OWASA maintains all its accounting records at its administrative building at 400 Jones Ferry Road, Carrboro, North Carolina 27510. OWASA utilizes Microsoft Dynamics GP and maintains its accounting records on an SQL Server 2017 database platform.

ASSISTANCE AVAILABLE TO THE AUDITOR

The Authority has designated the Finance Officer as a person with the suitable skills, knowledge and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. The Finance staff consists of the following: the Director of Finance and Customer Service, the Finance and Procurement Manager, a Financial Analyst, and two (2) Accounting Technicians.

To assist the Auditor in the examination of the records OWASA will provide and prepare the following as needed:

General

1. Trial balance.
2. All year-end adjusting entries.
3. The original budget, all amendments, and the final budget as of June 30.
4. All project ordinances and all amendments for active projects occurring during the audit period.
5. Details of budgeted and expended amounts for all Capital Projects with supporting information as to status of projects.
6. Board-approved fiscal policies.
7. Confirmation letters for mailing by Auditor; i.e. Banks, revenues, grants and legal representation letter.
8. Management's Discussion and Analysis.
9. Required supplementary information.

Cash and Investments

1. Bank reconciliations for each month.
2. List of outstanding checks, showing check number, payee, date, and amount.

3. Schedule of cash at year-end.

Receivables

1. Aged trial balance of accounts and miscellaneous receivables as of year-end.
2. Analysis of allowance for doubtful accounts.

Other Assets

1. Schedule of prepaid assets.
2. Schedule of inventory items on hand.

Capital Assets

1. Schedule of all capital outlays during the audit period.
2. Schedule of all capital dispositions during the audit period.
3. Schedule of depreciation expense.
4. Schedule of Capital Improvements Program projects.

Liabilities

1. Subsidiary detail of accounts payable.
2. Detail of all salaries and wages payable and accrued withholdings.
3. Schedule of retainage payable.
4. Detail of deferred revenues.

Long-Term Debt

1. Schedule of long-term debt, including amortization of issuance costs and amortization of bond discounts and premiums.
2. Computations of compensated absences.

SIZE AND COMPLEXITY OF UNIT

1. Personnel/payroll
   a. Number of authorized positions at June 30, 2021 was 142.
   b. Frequency of payroll is biweekly.
   c. All employees participate in direct deposit of their pay.
2. Water & sewer billing
   a. Number of statements each month is about 22,000.
   b. Average number of unpaid accounts at month end is about 5,000.
3. Bank Accounts
   a. Number of bank accounts:
      i. 10 Bank of New York accounts invested in North Carolina Cash Management Trust
      ii. 4 public checking funds accounts
      iii. 1 ZBA account
      iv. 1 North Carolina Cash Management Trust account
   b. Approximate activity in the checking accounts:
      i. Annual number of deposits approximately 2,300.

        ii. Annual number of checks approximately 3,300.
4. Information Technology (IT)
    a. The approximate number of financial user connections is 20.
    b. The IT department is separate from the Finance department.
5. The following financial applications are on the computer system:
    a. General Ledger
    b. Accounts Payable
    c. Payroll
    d. Capital Assets
    e. Accounts Receivable
    f. Purchasing – requisition and purchase order
    g. Billing

Finance Department staff will furnish additional data as requested and will be available to furnish reasonable assistance in other areas.

COST ESTIMATE
(Per Year)

THREE YEAR CONTRACT

	FYE 2022	**FYE 2023**	**FYE 2024**
Base charge – Financial Audit			
Base charge- Compliance Audit			
Charge per program for additional compliance testing			
Other:			
Total			

Methodology of cost estimate:

Basis for determining cost estimate after first year:

BIDDER:	Contact:
Address:	Telephone:
	Fax:
	E-mail:
Authorized Signature:	Date:

PROPOSAL CERTIFICATION

Proposers Signature **Date**

By signing above I certify that I have carefully read and fully understand the information contained in this RFP; and that I have the capability to successfully undertake and complete the responsibilities and obligations of the Proposal being submitted and have the authority to sign Proposal on behalf of my organization.

BY:

TITLE:

COMPANY:

ADDRESS:

TELEPHONE:

EMAIL: