

HOUSING AUTHORITY OF THE COUNTY OF MONTEREY

123 RICO STREET

SALINAS, CALIFORNIA 93907

(831) 775-5048

Request for Proposal #100830

The Housing Authority of the County of Monterey ("Housing Authority" or "HACM") is now requesting audit proposals from Certified Public Accounts who audit public agencies. Your proposal may indicate that the audit is for the purpose of expressing your opinion on the financial statements and not specifically designed to disclose defalcations and any other qualifications that you feel should be included. The fee for which you are willing to perform the audit should be stated; this amount should include all applicable expenses. This audit contract is for a three-year period with two possible one-year extensions.

The audit shall be conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The audit and financial statements shall meet the requirements of federal single audit regulations as prescribed by OMB Circular A-133, Audits of States Local Governments and Nonprofit Organizations, GASB-34 Basic Financial Statement's and Managements Discussion and Analysis for State and Local Governments, GASB-39 Determining whether certain Organizations are Component Units, and all subsequently issued applicable GASB pronouncements, and the U.S. Department of Housing and Urban Development's Public and Indian Housing Compliance Supplement. The financial statements are to be prepared by the auditor using Generally Accepted Accounting Principles (GAAP) in accordance the HUD's timetable for submission. This includes assistance with electronically submitting our Financial Data Schedules (FDS) via the internet as required by the Real Estate Assessment Center (REAC).

The Housing Authority of the County of Monterey was last audited at fiscal year ending June 30, 2009. For that year, the Primary Government entity was HACM; there were two Discretely Presented Component Units and six Blended Component Units. Programs required to be audited June 30, 2010 are:

- Conventional Low-Rent Housing Program comprised of 595 units
- A Supportive Housing Program comprised of 56 units
- Shelter Plus Care program comprised of 14 units
- Farm Labor Housing Loans and Grants comprised of 134 units

- Section 8 Housing Choice Voucher program (existing construction) with 3,918 authorized certificates for which approximately \$32,000,000 in annual HAP payments is being made at this time
- State/Local programs with 185 units
- Capital Grant Funds of approximately \$1,200,000 annually
- Business and Development Activities *(see additional information below)*
- Health Trust as a Component Unit
- Non-profit component units*
- Related party disclosure reporting requirements (all controlled entities)
- Separate reporting requirements and State of California Compliance filings:
 - Cost certifications of completed Comprehensive Grant Programs, if any, as required by HUD regulations
 - Electronic submission of Financial Data Schedules (FDS) via the internet as required by the Real Estate Assessment Center (REAC) in accordance with HUD's timetable for submission (FDS is prepared and submitted by HACM staff)
 - Separate financial statements and auditor's report for Portola Vista Housing Project prepared in conformity with the accounting practices prescribed or permitted by the California Housing Finance Agency (Cal HFA), which is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America
 - Separate financial statements and auditor's report for Lakeview Towers for the purpose of complying with the accounting requirements of the State of California Department of Housing and Community Development Rental Housing Construction Program
 - Separate financial statements and auditor's report for the State of California Migrant Farm Labor Housing Program for the purpose of complying with the accounting requirements of the Office of Migrant Services of the California Department of Housing and Community Development Note: Each of the Portola Vista Housing Project, Lakeview Towers and the Migrant Farm Labor Housing Program should be quoted separately.

Included in the FDS are two distinctly presented non-profit component units. One of the entities is a health insurance trust, the other is a non-profit and its subsidiary. These two entities have the same Board, with two of the seven Board members appointed by the Board of the Housing Authority. The entities share the same fiscal year as the Housing Authority and are audited under a separate audit contract.

Included in Business Activities is a non-profit entity with the same Board as the Housing Authority. This non-profit (or its special purpose subsidiaries) is the general partner in six limited partnerships. Each of these limited partnerships owns a tax credit property with a fiscal year-end of December 31. The audits and tax returns for these six limited partnerships are under separate contracts.

In addition to the financial issues, the auditor will need to report on compliance applicable to each major program, internal control over compliance and on the Schedule of Federal Awards in accordance with OMB Circular A-133. The auditor will also be expected to prepare the Bureau of Census Data Collection Form (Form SF-SAC) to accompany with the Single Audit Report (not bound with report).

The auditor will be expected to provide a letter to the HACM Board of Commissioners on non-reportable conditions and immaterial instances of noncompliance. This letter would also include general recommendations on observations made during the audit that could be helpful to the financial management of the Housing Authority. Additionally, the HACM Board of Commissioners would like to receive an annual breakdown by included entity of the total fees and costs actually charged to the job on an annual basis for purposes of internal cost allocation of such fees and costs.

The requirement is to perform the audit for the first year during the months of October through November and with completion by mid-December. A preliminary year-end financial statement is currently required to be submitted electronically to HUD prior to August 31st. The final audited financial statements also need to be electronically submitted and should not vary significantly from the preliminary statements.

The audit firm selected will be asked for a separate fee to prepare an audit or cost certification for any future entity (not listed above) created by the Housing Authority.

Ten copies of the financial statements for the organization-wide audit and five copies of the separate audits will be required.

You should make prior arrangements by contacting Lynn Santos, Director of Finance at (831)775-5048 to review copies of the June 30, 2009 audit reports and copies of the current

monthly general ledger and journals. Ms. Santos is a member of the selection committee and will welcome the opportunity to discuss the audit with you.

Your firm's proposal must be received in the Housing Authority main office located at 123 Rico Street, Salinas CA 93907, on or before September 24, 2010. Contract selection will be made on or before October 1, 2010. All firms will be notified as to the selection, by mail on or before October 4, 2010. If a firm wishes to withdraw their proposal, they must do so prior to September 22, 2010. **Please submit five copies of your proposal in a sealed envelope, marked audit proposal and addressed to:**

Barbara Mulholland

Procurement and Contracts Manager

123 Rico St,

Salinas, CA 93907

Solicitation of request for proposals does not commit this agency to pay any costs incurred in the preparation or submission of proposals.

Evaluation criteria of audit proposals will be based on the following:

- 1) Experience of the firm and those persons performing the audit: 20%
- 2) Performance of the firm on prior audits of a same or similar nature: 20%
- 3) Knowledge and understanding of scope of work to be performed: 10%
- 4) Proper approach to the audit: 10%
- 5) Realistic time and expense budgets: 10%
- 6) Care and quality evidenced in preparation of the proposal: 10%
- 7) The fee for which the firm is willing to perform the audit: 20%

Should two or more firms receive substantially equal evaluations, the Housing Authority is required to provide small or minority firms with the opportunity to perform or otherwise participate in the audit.

Other information your proposal should include:

- 1) Size of firm
- 2) Location of the office from which the engagement is to be performed and the number and nature of the professional staff to be employed in this engagement
- 3) References pertaining to audit clients for which your firm has been the auditor of record or who have permitted the listing of their names as a reference. Please indicate the nature of the work performed for these clients.
- 4) Names of supervising partner, management staff, including engagement partners, managers and all other staff who would be assigned to the engagement; indicate whether each person is licensed to practice as a Certified Public Accountant in California
- 5) A time budget for the audit of each of the programs or funds indicated in this Request for Proposal
- 6) A statement as to the amount of assistance your firm will expect from the Housing Authority accounting staff, including the nature of assistance and/or schedules that you will expect them to prepare prior to or during the audit
- 7) Calculation of time requirements by staffing levels and computation of audit fees to include expenses used in your proposal. Show the time required and rates used by each level of staff you expect to use on the audit. This computation should be in the following format:

Name of Project _____

Audit Services

Fiscal Year ending _____

| | <u>Level of Service</u> | <u>Rate per Hour</u> | <u>Estimated Hours</u> | <u>Amount</u> |
|-----------------|-------------------------|----------------------|------------------------|---------------|
| Partner | _____ | _____ | _____ | _____ |
| Manager | _____ | _____ | _____ | _____ |
| Senior Staff | _____ | _____ | _____ | _____ |
| Intermediate | | | | |
| Staff | _____ | _____ | _____ | _____ |
| Staff Assistant | _____ | _____ | _____ | _____ |
| Support Staff | _____ | _____ | _____ | _____ |
| Expenses | _____ | _____ | _____ | _____ |

This audit contract is for an initial three-year period, with two one-year renewals. In addition to the proposal for the current year audit you are also requested to provide a proposal for the annual 2010-2011 and the 2011-2012 audits. These proposals should contain the rates that you would intend to use should the Housing Authority desire to renew the 2010-2011 contract to cover these audits. No maximum amount will be required at this time, but you would be required to provide an amount prior to HACM Board of Commissioners approval of a renewal of your audit contract, based on programs and circumstances as may then exist.

You should note that payment for the audit contract provides that you will be paid based on the amount of your audit fee and acceptance by the Housing Authority's Board of Commissioners.

The contract also requires that you retain the audit working papers to which this agency may have access for a period of three years.

Additional information that we believe may assist you in the preparation of the audit proposal is as follows:

The Housing Authority County of Monterey was established in 1941 by Act of the Board of Supervisors of the County of Monterey and the appointment of a separate Commission. The activities of the Housing Authority are separate from the County and are located at 123 Rico Street, Salinas, California.

The Housing Authority has approximately 100 employees. The Accounting Department consists of the Director of Finance, two (2) Finance Specialist II's, one (1) Finance Specialist I, three (3) Accounting Assistant II's and one (1) Accounting Supervisor.

The accounting system currently utilized is Yardi which:

1. Generates checks for payment of all Section 8 HAP recipients
2. Prepares checks for Accounts Payable that are accrued during the month.
3. Prepares Tenant Accounts Receivable journals based on daily input and maintains Accounts Receivable due from tenants, including security deposits
4. Records Journal Entries directly to general ledger accounts
5. Generates a General Ledger for each of the programs
6. Runs a Trial Balance for each program

The computer system does not prepare payroll checks or the payroll journal with employee records. The Housing Authority utilizes the ADP Payroll System, which prepares payroll tax returns and makes all required deposits.

The first year to be audited under this RFP is also the first full fiscal year in which the Housing Authority has maintained all of its operations in the Yardi Voyager Computerized Enterprise Resource Planning system. The Housing Authority has centralized most all of its accounting information on this system and anticipates using the Yardi ERP system throughout the time period contemplated by this RFP.

Bank accounts are reconciled each month.

Paid Vendor's invoices are filed in alphabetically arranged files. Expenses for all programs are paid using the revolving fund; invoices are not available on a program-by-program basis. The revolving fund is reimbursed periodically and all inter-fund accounts are in agreement with each other.

We anticipate closing the books by August 31, 2010, and will be ready for auditors to commence the audit upon award. It is anticipated that the above information will provide you with useful information necessary for preparation of your audit proposal.

Please feel free to contact Ms. Santos should you have any additional questions at (831)775-5048.

All process or other questions will be directed to

Barbara Mulholland

Procurement and Contracts Manager

123 Rico Street

Salinas, California 93907

831-775-5083

831-775-5084 (fax)

bmulholland@hamonterey.org