

KENT COUNTY WATER AUTHORITY  
REQUEST FOR PROPOSAL  
RELATING TO AUDITING SERVICES  
GENERAL AND SPECIFIC AUDITS

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**ARTICLE 1. QUALIFICATIONS OF BIDDERS**

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- 1.1 The Kent County Water Authority requests proposals from Certified Public Accounting Firms to provide auditing services to the Kent County Water Authority.
- 1.2 The work consists of providing directly to the Kent County Water Authority, through their agents and assigns, accountant auditing services for annual financial statement audit for the fiscal year ending June 30, 2018 of the individual funds used by Kent County Water Authority, included with that shall be the water protection fund reconciliation audit segment.

The Authority maintains a uniform system of accounts for water utilities under the supervision and regulation of the Division of Public Utilities, State of Rhode Island and as an enterprise fund of "GASB" and includes but not limited to the following breakdown of individual funds:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- General Long-Term Debt Accounts
- Reserve Funds
- Employee's Defined Benefit Pension Plan
- Water Protection Fund (reconciliation audit)

- 1.3 All audits must be performed in accordance with generally accepted auditing standards (GAAS) established by the AICPA. Further, all audits shall be in accordance with Government Accounting Standards Board (GASB). Water protection fund reconciliation audit shall be in accordance with the Rules of Procedures, R. I. Water Resources Board Corporate, The Public Drinking Water Protection Program, Section 2.4,g,ii & 2.4,g,iii attached herewith. Respondents are reminded of the continuing education and staff qualification requirements of the "Yellow Book."
- 1.4 The Kent County Water Authority will have the option of extending this agreement to include two additional years of Audit. Audit for fiscal year June 30, 2019, Audit for fiscal year June 30, 2020.

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**ARTICLE 2. QUALIFICATIONS OF PROPOSERS:**

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- 2.1 Proposers may be investigated by Kent County Water Authority to determine if they are qualified to perform the Work. All Proposers shall be prepared to submit to Kent County

Water Authority upon request, written evidence of such information and data necessary to make this determination.

- 2.2 The investigation of a Proposer will seek to determine whether the organization is adequate in size, properly certified and sufficient personnel has had previous experience and financial resources are adequate to assure Kent County Water Authority that they can complete any audit assignments ordered by the Kent County Water Authority.
- 2.3 In evaluating Proposals, Kent County Water Authority will consider the qualifications of only those Proposers whose Proposals are in compliance with the prescribed requirements and the Request for Proposal invitation.
- 2.4 Kent County Water Authority reserves the right to reject any Proposal, or parts thereof, if the evidence submitted by, or the investigation of, such Proposer fails to satisfy Kent County Water Authority that such Proposer is properly qualified to carry out the obligations of the Request for Proposals and any and all assignments from the Kent County Water Authority.
- 2.5 Each and every Proposer shall provide written evidence at the time of the Proposal submission and attached thereto that they have or will acquire prior to execution of work and letter of engagement to the Kent County Water Authority, malpractice, errors and omissions insurance for protection of any and all claims arising out of service to Kent County Water Authority in an amount not less than \$1,000,000 per claim or occurrence with aggregate amount not less than \$2,000,000. Cost of insurance shall not be billable or included in rates proposed to the Kent County Water Authority. Failure to provide written evidence will be grounds for rejection of Proposal.

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#### ARTICLE 3. COPIES REQUEST FOR PROPOSAL DOCUMENTS:

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- 3.1 Complete sets of Request for Proposal Documents shall be used in preparing the Proposals; Kent County Water Authority assumes no responsibility for errors or misinterpretations resulting from the use of incomplete sets of Request for Proposal Documents.
- 3.2 Kent County Water Authority in making copies of Request for Proposal Documents available do so only for the purpose of obtaining Proposals for Auditing Services and do not confer a license or grant for any other use.

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#### ARTICLE 4. EXAMINATION OF REQUEST FOR PROPOSAL DOCUMENTS:

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- 4.1 Before submitting a Proposal, each Proposer must examine the Request for Proposal Documents thoroughly, and familiarize themselves with Federal, State and local laws and the generally accepted auditing standards established by AICPA and GASB.
- 4.2 The submission of a Proposal will constitute an incontrovertible representation by the Proposer that he has complied with every requirement of this Request for Proposal and all documents contained herein.

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## ARTICLE 5. INTERPRETATIONS:

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- 5.1 All questions about the meaning or intent of the Request for Proposal Documents shall be received in writing by Kent County Water Authority at the pre-proposal conference.
- 5.2 Written clarifications or interpretations will be issued if requested by Addenda not later than four (4) calendar days before the Proposal opening date. Only questions answered by formal written Addenda will be binding. Oral and other clarifications or interpretations will be without legal effect. Addenda will be mailed via certified mail, with return receipt requested, to all parties recorded as having received the Request for Proposal Documents.
- 5.3 Each Proposer shall be responsible for determining that they have received all Addenda issued and so note on the proposal.

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## ARTICLE 6. PRE-PROPOSAL CONFERENCE

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- 6.1 A pre-proposal conference will be held as described in the advertisement for Request for Proposals to discuss project related concerns of these Proposed Documents to the Kent County Water Authority.
- 6.2 The Pre-Proposal conference is mandatory for all Proposers. Failure to attend will negate the Proposer's ability to submit a Proposal for consideration.

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## ARTICLE 7. RECEIPT OF PROPOSALS

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- 7.1 Sealed Proposals for the Request for Auditing Services will be received at the time and place indicated in the Invitation for Proposals.
- 7.2 Kent County Water Authority may consider informal any Proposal not prepared and submitted in accordance with the provisions hereof.
- 7.3 Proposers are cautioned that it is the responsibility of each individual Proposer to assure that his Proposal is in the possession of the responsible official of the Kent County Water Authority or his designated alternate prior to the stated time and at the place of the Proposal Opening. Kent County Water Authority is not responsible for Proposals delayed by mail and/or delivery services, of any nature.
- 7.4 All Proposals shall be submitted in a sealed opaque envelope. Clearly indicate on the envelope jacket that it is a Proposal for Audit Services. Kent County Water Authority will not be responsible for any envelopes opened that are not clearly marked. (If forwarded by mail, Proposal shall be in a sealed outer envelope marked as described above and shall be enclosed in another "inner" envelope with the notation "PROPOSAL ENCLOSED" on the face.)

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**ARTICLE 8. MODIFICATION OF REQUEST FOR PROPOSALS:**

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- 8.1 Proposals may not be modified once they are accepted by the Kent County Water Authority office staff or designated alternate prior to opening. After opening of proposals, modifications will not be allowed.

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**ARTICLE 9. AUDITING STANDARDS:**

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- 9.1 All audits must be performed in accordance with Generally Accepted Auditing Standards (GAAS) established by the AICPA. Further, all audits shall be in accordance with Government Auditing Standards Board (GASB). Water Protection fund reconciliation audit shall be in accordance with the Rules of Procedures, R. I. Water Resources Board Corporate, The Public Drinking Water Protection Program, Section 2.4,g,ii and 2.4,g,iii attached herewith. Respondents are reminded of the continuing education, and staff qualification requirements of the "Yellow Book."
- 9.2 Please provide at time of Proposal Submission statement confirming the above paragraph 9.1 for all Audits and proof of continuing education for all proposed auditors who will provide service to Kent County Water Authority.
- 9.3 New accounting pronouncements by GASB that must be implemented by Kent County Water Authority must be provided by Auditor along with procedures for adapting new GASB statements.
- 9.4 Auditor must provide assistance with audit adjustment entries as needed.

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**ARTICLE 10. KCWA INVOLVEMENT DURING FIELD AUDIT:**

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- 10.1 It is clearly understood that the office staff personnel of the Kent County Water Authority will have involvement in the field audit of the Proposer. The Proposer is required to provide all field audit work schedules, calculations and backup from the records of the Kent County Water Authority.
- 10.2 Kent County Water Authority shall provide all information to the auditors for review from all available company sources. They shall include computer records, written ledger books, accountant ledgers, copies of invoices, inventory records and use of computer data base files for Inventory, Budgeting and Accounting and Customer Accounting.

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**ARTICLE 11. REPORTING RESPONSIBILITIES:**

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- 11.1 All audit reports shall be on the fair presentation of the financial statements. In accordance with paragraph 1.4 above, this may be extended an additional two years. It is understood by all respondents to this Proposal that, the audits performed under this Proposal will be utilized in bond documents and official statements as may be necessary.

- 11.2 Reportable conditions must be brought to the attention of the Chairman of the Authority. Reportable conditions are defined as "significant deficiencies in the design or operation of the internal control structure, which would adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."
- 11.3 Deficiencies in the internal control discovered during the course of the engagement that do not meet the definition of reportable conditions in SAS NO. 60 will be brought to the attention of the Chairman, General Manager, and the Director of Finance and Administration in a management letter.
- 11.4 The Kent County Water Authority's financial records are maintained using Conduent Government Systems, running on an IBM AS-400 computer. This software is supplemented with Inventory, Billing, Budget/Accounting software developed by Conduent Government Systems.

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## ARTICLE 12. REQUIRED SUBMITTALS:

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- 12.1 All items request in this Article must be submitted bound in one volume, eight (8) copies of each.
- 12.2 A resume of the auditor or auditors to be designated as lead auditor for Kent County Water Authority with special emphasis on experience that might be considered germane to this Request for Proposal, in particular the water utility industry. A resume of the auditor who will perform the actual fieldwork of the Audit.
- 12.3 Disclosure statement detailing any potential conflicts of interest relating to the Kent County Water Authority and any and all previous or proposed clients for the auditor.
- 12.4 Brief (10 pages or less) description of the accounting firm and the municipal/governmental audit division responsible for auditing the Kent County Water Authority. Specific information with regards to background and experience in performing audits for the water utility industry.
- 12.5 Description of current workload of the auditor and/or the auditors to be assigned to this project and a description of the workload of the Audit Department of the firm and auditors to be assigned. Description shall include current, proposed, projected and ability to service Kent County Water Authority within 2 calendar months of the closure of the Kent County Water Authority fiscal year. The audit must be completed and copies provided no later than October 30, 2018. Year 2 no later than October 30, 2019 and Year 3 no later than October 30, 2020.
- 12.6 A complete listing of clients and assignments over the past 2 years for whom similar services and/or audits have been performed.

- 12.7 Provide the Kent County Water Authority with a report on the results of their latest peer reviews, and state whether their most recent peer review included a review of the quality of specific government type audits in relation to political subdivision such as Kent County Water District.
- 12.8 Any and all other related qualifications as deemed necessary for review.
- 12.9 A schedule of the anticipated audit including time of start and completion. Schedule shall be by weeks with milestones highlighted with required dates of completion of each milestone.
- 12.10 Provide responses to the following questions.
1. To what extent does the firm propose to employ statistical sampling techniques?
  2. To what extent does the firm propose to employ analytical procedures? What types of analytical procedures has the auditor used on similar engagements?
  3. What approach is proposed for gaining and documenting the auditor's of the Kent County Water Authority internal control procedures?
  4. How does the audit firm propose to segment the engagement? How many hours of staff time will be required for each segment?
  5. What approach is proposed for determining which laws and regulations should be tested for compliance? How will the samples be drawn?
- 12.11 In the event Kent County Water Authority plans to bond for long term debt in the fiscal years represented by this audit, the Proposer shall provide a clear and concise statement as to the understanding that their financial information will be utilized in whole or part in the bonding documents. This includes the audit, management letters and the like. It is the expressed understanding that any fees associated with this are included in the rates quoted on this Proposal. Kent County Water Authority will not accept any additional fees for use of this information. All costs to review those documents and provide any opinions on the bond documents by the Proposer to all bond consultants, banks, financial advisors, rating agencies and the like shall be listed separately on the Fee Proposal Sheet.
- 12.12 A fee proposal (maximum two pages) including the classifications and hourly billing rates of all personnel to be assigned to Kent County Water Authority rate work, reimbursable items and basis of payment, any and all other items to be charged and the basis of those charges. A "bottom line" not to exceed "TOTAL" cost shall be indicated. If the contract is extended as indicated in paragraph 1.4 above, all escalation in fees shall be clearly indicated. Year 2 =, Year 3 =. If no indication is provided, the Authority will assume the fee for the 1st year is held for the potential of two additional years as described in paragraph 1.4 above.

In accordance with 12.11 above, provide a separate line item for costs to provide an opinion on the bond documents to agencies listed above in paragraph 12.11. This shall be based on hourly rates with a not to exceed "bottom line" total fee. This shall be executed only when needed and based on a written request of the Kent County Water Authority. All additional

services shall be performed within two weeks of notification by Kent County Water Authority.

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**ARTICLE 13. SELECTION CRITERIA FOR INTERVIEW:**

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- 13.1 The Kent County Water Authority shall review Proposals based on the following criteria: a minimum of three Proposals (if sufficient #'s submitted) may be selected from the criteria below for interviews. Only those selected for interview, if the Authority so chooses, shall be eligible for selection as the Kent County Water Authority Auditors.
- 13.2 Competence to perform the Audit Services as reflected by experience of the firm and individual auditors to perform the service.
- 13.3 Ability to perform the Audit services as reflected by the workload and availability of adequate personnel, past experience with regard to quality of work.
- 13.4 Fee proposal.
- 13.5 Schedule of completion and delivery of final audit document.
- 13.6 Organization content of Proposal, clear and concise nature of presentation, ability to be specific to Request for Proposal Instructions, ability to be flexible with schedules and the Authority's closing position.
- 13.7 Satisfactory response to all questions raised.
- 13.8 Number of Certified Public Accountants to be utilized on Kent County Water Authority Audit, pier review and company structure.

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**ARTICLE 14. INTERVIEW AND FINAL SELECTION:**

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- 14.1 Upon completion of Article 13, those firms selected will be notified of the date and time for interviews, interview will be optional and determined by Kent County Water Authority. Interviews, if required, will be held directly with the Kent County Water Authority and each interviewed proposer will be given an opportunity for a 10-minute presentation and 20 minutes of response questions from the board.
- 14.2 The Kent County Water Authority reserves the right to award this Proposal in whole or in part and reject any and all Proposals. The Kent County Water Authority reserves the right to award this proposal without interviews and basing these decisions on Article 12 above.

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**ARTICLE 15. ENGAGEMENT OF SERVICES:**

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- 15.1 Upon successful selection in Article 14, the Kent County Water Authority reserves the right

to negotiate any and all parts to this Proposal with the selected Proposer prior to formalization of a letter of engagement for services.

- 15.2 In the event the successful Proposer cannot fully and timely perform his contractual obligation and/or successfully negotiate the Proposal with the Kent County Water Authority, the Kent County Water Authority reserves the right to award the Proposal to any of the other qualified Proposers.
- 15.3 Kent County Water Authority reserves the right to reject any and all Proposals, or parts thereof, to waive any and all informalities if it is in Kent County Water Authority's best interest to do so, and the right to disregard all nonconforming, non responsive, or conditional Proposals or portions thereof.
- 15.4 It is fully intended to engage the services of the successful Proposer as stated above upon successful negotiations and preparation of a letter of engagement acceptable to Kent County Water Authority. Price alone will not be the sole determining factor.
- 15.5 Since the auditor's work papers constitute the principal record of the work the auditor has done, and the conclusions the auditor has reached concerning matters significant to the audit, it is required that the auditor maintain the work papers from the audit for a period of three (3) years in accordance with OMB Circular A-128. Further, the proposal should guarantee access to the work papers to those parties designated by the Authority as part of an audit quality review process.

Kent County Water Authority