

## **Board of Trustees Agenda Item**

**Board Meeting Date:** 03/14/11

**Title of Item:**

Approval to Contract for Independent Audit Services Beginning in FY 2010/11.

**Background and Analysis:**

The contract with the audit firm of Perry-Smith LLP expired upon completion of the fiscal year ended June 30, 2010 audit. The Vice Chancellor of Business Services, in coordination with the Audit & Finance Committee, issued Request for Proposal (RFP) No. 1307 on November 15, 2010 with the intent to enter into a series of one-year contracts for a period of five years, subject to satisfactory performance.

The District mailed the RFP to 19 local, regional, and national certified public accounting firms. The RFP was also posted on Bid Net.

As part of the RFP process, the District held a pre-proposal questions and answer session on December 14, 2010 at which time two national, two regional, and one local certified public accounting firms attended. Six certified public accounting firms submitted a proposal by the required due date of January 5, 2011.

The Vice Chancellor of Business Services, Controller, De Anza College Vice President of Finance and Educational Resources, and Foothill College Vice President of Educational Resources and Instruction screened the proposals, based on the evaluation criteria listed in the RFP, and selected the three finalists to be forwarded to the Audit & Finance Committee.

The Audit & Finance Committee, at their March 3, 2011 meeting, interviewed the three firms. Based on the interviews and the information submitted in the individual proposals, the Audit and Finance Committee recommended that we contract with Vavrinek, Trine, Day & Co., LLP for independent audit services, for a series of one-year contracts for a period of 5 years, as specified in RFP No. 1307. The cost of the first year (fiscal year 2010/11) of the audit is \$152,500.

**Recommendation:** (specify if information only)

District administrative staff recommends approval to enter into a contract with Vavrinek, Trine, Day & Co., LLP under the terms of the proposal.

|                           |                 |
|---------------------------|-----------------|
| Submitted by:             | Kevin McElroy   |
| Additional contact names: | Hector Quinonez |
| Is backup provided?       | Yes             |

# Foothill-De Anza Community College District

## Request for Proposal No. 1307 Independent Audit Services

The Audit and Finance Committee of the Board of Trustees of Foothill-De Anza Community College District is initiating a process for the selection of an independent certified public accounting firm for the purpose of performing the annual financial audits for fiscal years ending June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014, and June 30, 2015. As part of this process, we are requesting written responses to Request For Proposal (RFP) No. 1307.

The District's intent is to enter into a series of one-year contracts for a period of five years, subject to satisfactory performance.

Notwithstanding other provisions of this RFP, certified public accounting firms are hereby advised that this RFP is an informal solicitation of proposals only. It is not intended, nor is it to be construed, as engaging in formal competitive bidding pursuant to any statute, ordinance, policy or regulation.

**There is a Pre-proposal Question and Answer Session scheduled for Tuesday, December 14, 2010 at 1:30 p.m. in the District Board Room.** Please confirm your attendance by December 10, 2010 with the District Controller at [quinonezhector@fhda.edu](mailto:quinonezhector@fhda.edu).

Proposals must be received in the office of the Vice Chancellor of Business Services at the following address:

Kevin McElroy, Vice Chancellor of Business Services  
Foothill-De Anza Community College District  
12345 El Monte Road  
Los Altos Hills, CA 94022

Proposals are due by 4:00 p.m. January 5, 2011.

Late proposals will be rejected. It is the responsibility of the submitting firm to make sure the proposal is delivered to the specified location by the date and time specified above.

Proposals must be sealed with the envelopes clearly marked in the lower left hand corner "Sealed Proposal for Independent Audit Services RFP No. 1307."

Emailed or faxed proposals are not acceptable.

Complete, sign, and return the original and four (4) copies.

Please e-mail all questions regarding this proposal to Hector Quinonez, Controller at [quinonezhector@fhda.edu](mailto:quinonezhector@fhda.edu), with a copy to [mcelroykevin@fhda.edu](mailto:mcelroykevin@fhda.edu), by December 16, 2010. Include in the "Subject" header of the e-mail, "Independent Audit Services RFP No. 1307."

This RFP does not commit the district to award a contract or to pay any costs incurred in the preparation of any proposal responsive to this request. The District reserves the right to accept all or part of any proposal or to cancel in part or in its entirety this RFP. The District further reserves the right to accept the proposal that it considers to be in the best interest of the District. While price is a consideration, the District reserves the right to award a contract on the basis of its overall evaluation.

It is the policy of the District that no person or firm shall be excluded from participation in, denied the benefits of, or otherwise be discriminated against in the award and performance of any District contract on the grounds of race, ethnicity, creed, religion, color, national origin, age, sex, or sexual orientation.

1. Mandatory Requirements

A proposal will not be considered unless the Auditor submitting the proposal meets the following criteria:

- 1.1.The Auditor must be a properly licensed certified public accounting firm.
- 1.2.The Auditor must certify that the audits will be performed in accordance with the highest standards of the accounting profession following the principles found in generally accepted auditing standards, generally accepted accounting principles, guidelines issued in the California Community Colleges Budget and Accounting Manual, and standards for audit of governmental organizations, programs, activities, and functions as specified by the General Accounting Office (GAO).
- 1.3. The Auditor must have a record of quality work.

2. Background Information

Foothill-De Anza Community College District is a political subdivision of the State of California. The District’s operations consist principally of providing educational services to the local residents of the District. The District is classified as a governmental instrumentality under Internal Revenue Code Section 115 and as a charitable organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from Federal taxes.

The District is a multi-college district with approximately 37,000 Full Time Equivalent Students. It is comprised of two colleges, Foothill College and De Anza College, operating at the following main campus locations:

| <u>College</u>   | <u>Location</u>                                  |
|------------------|--|
| Foothill College | 12345 El Monte Road<br>Los Altos Hills, CA 94022 |
| De Anza College  | 21250 Stevens Creek Blvd.<br>Cupertino, CA 95014 |

| <u>Employee Groups</u> | <u>Number</u> |
|------------------------|---------------|
| Faculty (full-time)    | 503           |

|                           |      |
|---------------------------|------|
| Faculty (part-time)       | 875  |
| Administrators            | 85   |
| Classified Staff          | 648  |
| Hourly (temps & students) | 1039 |

Administrative Systems: SunGard Banner higher education integrated administrative system.

The District is fiscally independent. The general fund operating budget for fiscal year 2010-11 is \$228 million. Total district assets at June 30, 2010 for all funds were \$711 million. The District's 2010-11 Adopted Budget Summary, 2009-10 CCFS-311, and 2008-09 Audited Financial Statements are available for viewing at <http://business.fhda.edu/finance/financialreports>.

The Foothill-De Anza Community Colleges Foundation, a nonprofit, tax-exempt organization, is a component unit of the District. Its total assets at June 30, 2010 were \$26 million. Total expenses for the fiscal year ended June 30, 2010 were \$5 million.

The California History Center Foundation is a nonprofit, tax-exempt organization dedicated to the advancement of the humanities, history, education, sciences, and the arts. Its total assets at June 30, 2010 were \$ 818,000. Total expenses for the fiscal year ended June 30, 2010 were \$178,400, which includes \$110,400 in donated services/facilities.

### 3. Information and General Conditions

#### 3.1 Definitions

The term District as used in these terms shall be construed to include the Foothill-De Anza Community College District and all employees, officers, and agents of the Foothill-De Anza Community College District.

The term accounting firm as used in these clauses shall be construed to include the certified public accounting firm and all employees, officers, and agents of said accounting firm.

#### 3.2 Signature

The proposal must be signed in the name of the accounting firm and must bear the signature of the person authorized to sign proposals on behalf of the accounting firm.

#### 3.3 Award of Contract

If the contract is awarded, it will be to the responsible accounting firm whose proposal is deemed by the District to be the best proposal and whose proposal best meets the needs of the District. Written notification will be made to unsuccessful accounting firms.

Following the selection of the apparent successful accounting firm, the District will enter into negotiations regarding provisions of the Agreement. If a satisfactory contract cannot be negotiated, the District may, in its sole discretion, begin contract negotiations with another accounting firm and terminate negotiations with the originally selected accounting firm.

#### 3.4 Supplemental Compensation and Additional Services

If in the course of the audit the accounting firm finds any unusual item or circumstance that, in their view, warrants an immediate detailed investigation, the same will be reported in writing to the Vice Chancellor of Business Services. If in the opinion of the Vice Chancellor, a more detailed verification is required than that which would be required under ordinary circumstances, a written authorization will be provided to the accounting firm by the Vice Chancellor.

If additional services are required and authorized, the Agreement will be amended to reflect the additional services and supplemental compensation shall be at the hourly rates applicable for the then current engagement year. If the additional work is not authorized by the Vice Chancellor, the audit will be performed only as far as the work is authorized and may include an explanation regarding the circumstances involved.

### 3.5 Independent Contractor

While performing services pursuant to an Agreement with the District, the accounting firm is an independent contractor and not an employee, officer, or agent of the District.

### 3.6 Assignment of Contract

Any disputes shall be resolved through binding arbitration pursuant to California Code of Civil Procedure section 1280 et seq., with non-prevailing party to pay the arbitrator's fees, but with each side otherwise to bear its own costs and fees.

## 4. Statement of Work

### 4.1 Scope of the Audit Services

Certified public accounting firms shall submit a proposal to provide the District with audit services for a period not to exceed five (5) years. Said services shall include an audit of all funds of the District, an audit of the Foothill-De Anza Community Colleges Foundation (a component unit), an audit of the California History Center Foundation (a non-profit, tax-exempt organization), and a financial audit and performance audit of the Measure C General Obligation Bond Program. The selected firm shall enter into a one-year contract with the District, however, the District reserves the right to contract with the firm for up to 4 additional one-year periods in accordance with the agreed upon prices, terms, and conditions.

### 4.2 Technical Standards

Examination of financial records, statements, and audits for compliance shall be made in accordance with generally accepted auditing standards and current GASB requirements as specified in Statements on Auditing Standards, published by the American Institute of Certified Public Accountants; Office of Management and Budget Circular A-128 and A-133; Government Auditing Standards issued by the Comptroller General of the United States; the General Accounting Office's (GAO) Standards for Audit of Governmental Organizations' Programs, Activities, and Functions; and the standards specified in the California Community Colleges Contracted District Audit Manual.

The audit will also require knowledge of bond and debt compliance audit procedures and audit procedures to satisfy requirements of the State of California and the Internal Revenue Service for 501(c)(3) public entities.

All laws, regulations, and/or documents referred to herein shall be interpreted as the most current laws, regulations, and/or documents relating to audits as specified herein and shall automatically be updated by auditors as required.

#### 4.3 Work to be Done

- 4.3.1 Conduct comprehensive financial and compliance audits for the District as required by the State of California including, but not limited to, the General, Enterprise, Child Development, Financial Aid, Internal Service, Capital Projects, and Debt Service funds, the Foothill-De Anza Community Colleges Foundation, and the California History Center Foundation.
- 4.3.2 Attend such meetings with the Audit and Finance Committee as may be required. Report on any special areas of emphasis as requested by the Vice Chancellor of Business Services.
- 4.3.3 Prepare and submit a copy of preliminary audit findings to the District, prior to conducting the exit conference for each of the audits.
- 4.3.4 Conduct an exit conference with appropriate personnel at the District.
- 4.3.5 Attend such meetings with the Board of Trustees and with District staff as may be required during the audit.
- 4.3.6 Prepare written drafts relative to any audit findings and recommendations noted before concluding the field audit work, prior to the exit conferences.
- 4.3.7 Prepare the Return of Organization Exempt From Income Tax (Form 990) and the California Exempt Organization Annual Information Return (Form 199) for the Foothill-De Anza Community Colleges Foundation and the California History Center Foundation.

#### 4.4 Staffing

The accounting firm shall assign professional staff as appropriate to conduct the audits. The District Controller shall coordinate the activities of the accounting firm and shall be the liaison between the accounting firm and the District. Supervising staff of the accounting firm shall be Certified Public Accountants currently licensed in the State of California. The accounting firm is responsible for the assignment of personnel and shall keep a current Project Organization Chart that indicates the specific personnel assigned to each aspect of the engagement. This document shall be filed with the District Controller prior to commencement of the field audit work.

#### 4.5 Statements and Reports

Reports of examination of financial statements must state the scope of the examination and that the audit was performed in accordance with generally accepted auditing standards and must include an opinion as to whether the statements conform to generally accepted accounting principles. Reports of compliance must include a statement that the examination was conducted in accordance with applicable auditing standards. The audit report must state whether the examination disclosed instances of significant noncompliance with laws and regulations. Findings of non-compliance or ineligible

expenditures must be presented in enough detail for management of the District to be able to understand the findings and implement corrective action.

The accounting firm shall provide eighty (80) bound copies of the District audit report to the Vice Chancellor of Business Services, in addition to an electronic (PDF format) copy. Also, the Auditor shall provide fifty (50) bound copies of the Foothill-De Anza Community Colleges Foundation audit report, along with an electronic copy, thirty (30) bound copies of the California History Center Foundation audit report, along with an electronic copy, and fifty (50) copies of the Measure C performance audit report, along with an electronic copy, no later than November 10 of each year.

The accounting firm shall file copies of the audit reports with Federal and State agencies, as required.

#### 4.6 Management Letter

A separate management letter shall be prepared and submitted for each audit. The management letter shall include a statement of findings and recommendations affecting the financial statements, internal controls, accounting, accounting systems, legality of actions, other instances of noncompliance with laws and regulations, and any other material information.

Prior to the submission of the final draft of the management letters, the accounting firm shall meet with the appropriate management and staff of the District to discuss and review the findings.

#### 4.7 Working Papers

The accounting firm shall provide the Vice Chancellor of Business Services with a copy of the recommended adjusting detail entries. The accounting firm shall retain working papers for a period of three (3) years, unless otherwise specified by the District. Such working papers shall be available for review and audit by District staff, representatives of the Federal and/or State governments and other individuals designated by the District.

#### 4.8 Resources to be Provided by the District

##### 4.8.1 Prior Years' Records

Copies of prior years' financial statements, budgets and copies of prior years' audit reports are available in the District Business Office. Perry-Smith LLP has performed the prior year audits since 1992.

##### 4.8.2 Staff Assistance

The District shall assign appropriate staff to assist the accounting firm by providing required information and explanations. The accounting firm is to identify in its engagement letter the level of District staff assistance anticipated.

##### 4.8.3 Working Space

The District shall provide the accounting firm with working space for the audit staff. Requests for space shall be directed to the District Controller. The request shall include an

estimate of the amount of space needed, special telecommunications needs, and the time period the space will be required.

## 5. Proposal Response Requirements

Proposals shall include in the following order:

### 5.1 All RFP Amendments

The most recent RFP Amendment shall be on top of the Proposal.

### 5.2 Title Page

Indicate “Foothill-De Anza Community College District, Independent Audit Services,” the name of the firm, local address, the name of the firm’s contact person for the purposes of this RFP, the telephone number of the contact person, and the date.

### 5.3 Table of Contents

Include a clear identification of the material included in the firm’s response by section and by page number.

### 5.4 Letter of Transmittal

Summarize your understanding of the work to be performed and explain why you believe your firm is best qualified to conduct the District’s audit engagement. Indicate the names of the persons who will be authorized to make representations on the part of the accounting firm including their titles and telephone numbers. The person authorized to execute the contract on the part of the accounting firm must sign the transmittal letter.

### 5.5 Profile of Auditor

5.5.1 State whether the firm is local, regional, national, or international.

5.5.2 State the size, location, history, range of services, and major clients of the office from which the work will be done if the firm is awarded the contract. Include the number of partners, managers, seniors, supervisors, and other professional staff employed at this office.

5.5.3 Describe the range of experience that the firm has in performing audits for K-12 and community college districts.

5.5.4 Provide a general description of the firm’s approach to the audit, including a proposed audit time schedule.

5.5.5 Describe the range of activities performed by the office from which the work will be done (i.e., auditing, tax, accounting, management services).

5.5.6 Provide an overview of the firm’s capabilities and past-experience in auditing public 501(c)(3) college or university foundations and in preparing the required Federal and State tax returns.



- 5.5.7 Discuss this office's experience in auditing computerized systems, including the number and classifications of personnel skilled in computer related audit services.
- 5.5.8 Provide a listing of publications of the firm relative to higher education.
- 5.5.9 Describe the firm's knowledge and experience in audits involving GASB 34/35, financial aid, federal grants, contracts, and OMB Circular A-133 audits.

#### 5.6 Auditor's Staffing and Qualifications

- 5.6.1 Indicate the name and position of the person who will manage the audit services as specified in this RFP. Provide a brief resume of the manager's background, training, and experience. Specifically discuss the manager's experience in managing audits of the size and scope of the audit as specified herein.
- 5.6.2 Indicate the names of the supervising accountants who will be assigned to the audits. Include copies of their resumes.
- 5.6.3 Provide a list of the levels, titles, licenses, and a copy of the resumes of other accountants who will be assigned to perform services under the contract. Include a job description that describes the types of experience, background, and training required for each of the classifications proposed.

#### 5.7 Conflict of Interest

- 5.7.1 Disclose any personal or business relationship your firm has with the District, or with any of the Board Members or officers of the District.
- 5.7.2 Describe any current litigation or professional disciplinary action taken against your firm in the past two years in California relative to K-14 school audits.

#### 5.8 References

- 5.8.1 Provide a list of K-14 clients for whom the firm has provided auditing services in the past 2 years. Indicate the scope of the audits performed for each of the referenced clients. Include the name of the client, address, telephone, and name of each client's manager performing the role of controller.
- 5.8.2 As samples, provide copies of four audit reports in the recent two years, preferably audit reports prepared for community college districts.

#### 5.9 Cost of Services

State the maximum annual cost for the District audit, the Foothill-De Anza Community Colleges Foundation audit, the California History Center Foundation audit, and the Measure C General Obligation Bond financial and performance audits, for the first year of service and for each of the four (4) years thereafter. Costs as specified in this section shall be based upon the scope of the work as specified herein. Identify separately the maximum annual cost of reimbursable expenses (travel, administrative, printing, etc.) for each of the

audit years. It is understood that if the scope of the work is increased and/or decreased, the maximum costs as proposed will be adjusted upwards and/or downwards as appropriate. Submit supporting data for the maximum cost of the audit services. Include the number of staff to be assigned, by level and job title, the estimated maximum number of hours each of the staff will be assigned, and the hourly rate applicable to each level of staff assigned.

#### 5.10 Additional Information

The preceding sections shall contain only the information requested. If the accounting firm desires to present additional information, such additional information shall be presented in this section of the RFP. If there is no additional information present, indicate, "There is no additional information to present."

### 6. Evaluation and Award of Proposals

#### 6.1 Evaluation Criteria

Evaluation criteria will include but not be limited to the experience of the accounting firm in performing audits for community colleges, the experience of the manager who will be responsible for the audits, the professional staff available locally to perform the service, the reputation of the firm, the cost to perform the service, the availability of the firm to perform the work within a specified time period, and any other criteria the District feels is appropriate.

#### 6.2 Award Process

The steps in the award process are as follows:

- a. The District will mail out the Request for Proposal (RFP) on November 15, 2010.
- b. The District will hold a Pre-proposal Question and Answer Session on Tuesday, December 14, 2010 in the District Boardroom from 1:30 p.m. to 3:00 p.m. Confirm your attendance by December 10, 2010 with the District Controller at [quinonezhector@fhda.edu](mailto:quinonezhector@fhda.edu). This is the time for interested accounting firms to come in and get their questions answered prior to submission of their proposals.
- c. The proposals are due in to the office of the Vice Chancellor of Business Services by 4:00 p.m. on January 5, 2011.
- d. The Vice Chancellor of Business Services will screen the proposals by January 20, 2011, based on the evaluation criteria stated above in section 6.1, and he will select the finalists that are to be forwarded to the Audit and Finance Committee.
- e. The Audit and Finance Committee will interview the finalists at the March 3, 2011 Audit and Finance Committee meeting and make the final selection.
- f. The recommendation of the Audit and Finance Committee will be presented to the Board of Trustees for approval at the March 14, 2011 Board meeting.