

Portsmouth Water and Fire District

1944 East Main Road
P. O. Box 99
Portsmouth, RI 02871-0099

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REQUEST FOR PROPOSALS

INDEPENDENT AUDITOR for PORTSMOUTH WATER AND FIRE DISTRICT

February 10, 2025

ADVERTISEMENT FOR PROPOSALS

In conformance with its Purchasing Procedure, the Portsmouth Water and Fire District is requesting proposals from auditing firms with capabilities of conducting an independent audit of the financial records of the District for the years ended April 30, 2025, 2026 and 2027. Proposal documents may be obtained from the Portsmouth Water and Fire District, 1944 East Main Road, P.O. Box 99, Portsmouth, RI 02871, (401-683-2090).

Sealed proposals will be received by the Portsmouth Water and Fire District at the office, until 2:00 PM, Tuesday March 11, 2025.

PROPOSAL FORM

Proposal of _____,
(*print legal name of company*)
organized and existing under the laws of the State of _____,
doing business as _____.
(*print operating name of company*)

To the Portsmouth Water and Fire District acting herein through its Chairman:

In compliance with your Request for Proposals, we hereby propose to serve as Independent Auditor to the Portsmouth Water and Fire District at the pleasure of the Administrative Board for the fees stated herein.

Upon acceptance by both parties, the proposal attached hereto, including the Request for Proposals, shall be binding upon said Independent Auditor and its heirs, executors, administrators, successors and assigns.

The undersigned declares that the only person or parties interested as principals in this proposal, or in the contract proposed to be taken, are those named herein; that this proposal, in all respects, is fair, and made without collusion with any other person, firm or corporation making a proposal for this work; and if this proposal is accepted, that the Auditor shall contract with the Portsmouth Water and Fire District to provide accounting and auditing services under the terms and at the fees specified herein. As further consideration for the awarding of any work, the undersigned agrees to provide all necessary insurance, and to pay all Social Security Taxes, Employment Security Taxes, Workers' Compensation for his employees, and to comply with all other applicable rules or regulations required by local, State, and Federal law.

INTRODUCTION

The Portsmouth Water and Fire District is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending April 30, 2025, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, established by the American Institute of Certified Public Accountants, and the standards set forth for financial audits in the Government Auditing Standards issued by the Comptroller General of the United States.

Each year a determination shall be made whether the District has expended federal awards and the applicability of the provisions of the federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996. If applicable, these audits are to be performed in accordance with the provisions of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.

To be considered, eleven (11) copies of a proposal must be received by the Portsmouth Water and Fire District by: 2:00 PM on Tuesday, March 11, 2025, at which time they will be publicly opened and read aloud.

Each proposal must be submitted on the required Proposal Form. Each proposal must be submitted in a sealed envelope, addressed to the Portsmouth Water and Fire District, 1944 East Main Road, P. O. Box 99, Portsmouth, RI, and shall be clearly marked on the outside as “Audit Service Proposal”. The District reserves the right to waive any informality in the proposals or to reject any or all proposals. The District reserves the right to modify the scope of the project after review of the proposals, and to negotiate with any or all proposers. Any proposal received after the time and date specified shall not be considered. It is the proposer’s responsibility to see that the proposal is delivered within the time and at the place prescribed. Proposals received prior to the time of opening will be securely kept unopened. Proposals may be withdrawn on written request (on the letterhead of the proposer and signed by the person signing the proposal), which must be received prior to the time fixed for opening. Proposals may be modified in the same manner. No proposal or modification thereof received after the date set for opening will be considered, even if it is determined that such non-arrival before the time set for opening was due solely to the delay in the mails, for which the proposer is not responsible.

The Portsmouth Water and Fire District also reserves the right upon the opening of the proposals to request any additional information or clarification from the proposer to assist in its evaluation. Submittal of a proposal by an auditor does not guarantee an interview with the Board, nor does it in any way obligate the District to the auditor, financially or otherwise.

BACKGROUND INFORMATION

The Portsmouth Water and Fire District is a quasi-municipal corporation created in 1952 by Act of the General Assembly of the State of Rhode Island. The District is not affiliated legally or administratively with the Town of Portsmouth, although the District and Town work cooperatively together to serve their common constituents.

The District was created to provide water supply for domestic use and fire protection within its legislated boundaries. The District covers approximately ninety (90%) percent of Portsmouth on Aquidneck Island and presently services approximately 6,890 water customers. The District does not have any firefighting authority, responsibility or equipment. That function lies solely with the Town of Portsmouth.

The District is governed by a seven-member Administrative Board that is elected by the registered voters of the District. The Administrative Board organizes and presides over its annual election of officers. The Administrative Board also has taxing and bonding authority.

The District has an annual operating and capital budget of \$6.38 million. The District receives its revenue from water charges, miscellaneous charges and property tax charges. Water use is billed and due quarterly and taxes are billed and due annually. The Administrative Board annually sets its water rates and tax rate as part of the budget process. The District is not regulated by the Rhode Island Public Utilities Commission.

The District has a total of fourteen full time and one part time, non-union employees. The District's General Manager and Chief Engineer is responsible for the day-to-day business functions and water system operations of the District. The District's Office Manager is responsible for the day-to-day office functions. The District's Accountant is responsible for the day-to-day bookkeeping and record keeping and the production of the District's annual financial statements.

The employee pension system is a SEP. The District's only OPEB is for medical and dental insurance for retired employees between the ages of 60 and 65 with 20-years of service and that retired from the District at age 60 or later.

The District purchases all of its water from the City of Newport, RI, which is regulated by the Public Utilities Commission.

The District maintains its water and tax billing and receipts on UMS (Utility Management System) software provided by Continental Utility Solutions, Inc. (CUSI) of Jonesboro, Arkansas. The general ledger, sundry billing and receipts, and inventory are maintained on Quick Books.

The District has two (2) outstanding bonds:

- \$1,600,000 General Obligation Drinking Water Bonds (20 years) through Rhode Island Infrastructure Bank (formerly Rhode Island Clean Water Finance Agency), March 2007 for water tank improvements.
- \$3,100,000 General Obligation Drinking Water Bonds (20 years) through Rhode Island Infrastructure Bank, June 2019 for Union Street Pump Station (USPS).

The Drinking Water Bonds are funded from the Drinking Water State Revolving Fund (DWSRF) through the Rhode Island Infrastructure Bank. The DWSRF is funded by federal and state money.

Contacts for Audit:

- Jessica Lynch, P.E., General Manager and Chief Engineer
 - jlynch@portsmouthwater.org
 - 401-683-2090 x224
- Lauren Bagues, Office Manager
 - lbagues@portsmouthwater.org
 - 401-683-2090 x222
- John Larsen, Accountant
 - jlarsen@portsmouthwater.org
 - 401-683-2090 x231

AUDIT PROJECT CALENDAR

Request for Proposals Issued:	February 10, 2025
Due Date for Proposals:	March 11, 2025
Contract Award:	March 18, 2025
Start of Audit:	May 1, 2025
Administrative Subcommittee Meeting Audit Presentation:	TBD
Administrative Board Meeting Audit Presentation:	TBD
Completion of Audit:	October 31, 2025

EVALUATION OF PROPOSALS

An Administrative Subcommittee assigned by the Administrative Board will evaluate the proposals and rank the proposals for comparison using the following scoring weights resulting in a maximum score of 100 points:

Category	Maximum points
Overall qualifications, experience and references of the firm <u>and</u> the specific engagement personnel to be assigned to the audit focusing on experiences with governmental entities and governmental utilities, particularly water utilities.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe, including references and prior experience of the firm in meeting timelines.	30
Audit fees - See formula for points awarded for audit fees (*).	30
Maximum evaluation points 100	100

Notwithstanding the proposal rankings, the Auditor shall be selected based on relevant experience, special expertise, education, ability to service the District, familiarity with water system billing and operations, available personnel, quality of proposal, references, fees, or any other factors that the District determines to be relevant and in its best interests. After evaluation of the proposals, the Administrative Board may, at its sole discretion, interview one or more auditors before making a selection.

* Evaluation technique – audit fees

Audit fee score = (lowest fee/fee for firm being evaluated) X 30 points

Example: Assuming 3 proposals received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

Firm A (the lowest proposer)	awarded 30 points	$\$40,000/\$40,000 \times 30 \text{ points} = 30$
Firm B	awarded 26 points	$\$40,000/\$46,000 \times 30 \text{ points} = 26$
Firm C	awarded 24 points	$\$40,000/\$50,000 \times 30 \text{ points} = 24$

NOTIFICATION AND CONTRACT DATES

Notification of Award	March 19, 2025
Contract Date	March 18, 2025

DATE AUDIT MAY COMMENCE

Beginning on May 1, 2025, the auditor may review District inventory and records. The District will have draft financial statements ready for audit by July 15, 2025.

DUE DATES FOR COMPLETION OF AUDIT AND DELIVERY OF REPORTS

The annual audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the Portsmouth Water and Fire District, the Clerk for the Town of Portsmouth, the State Auditor General, and the State Division of Municipal Finance within six months after the close of the fiscal year (October 31) for each year (as required by Section 45-10-4 and 44-5-69 of the General Laws). With a fiscal year end of April 30th, the fire district must file its audit report by October 31st of each year.

The additional audit reports relating to federal awards (if applicable) and required by the Single Audit Act of 1984, as amended in July 1996, shall be submitted no later than nine months after the close of the fiscal year for each year. Refer to the applicable OMB Uniform Guidance in effect for the audit period for further details on the requirements.

QUALIFICATIONS OF AUDITOR

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid certificate from the State of Rhode Island or from any other state with whom the State Board of Accountancy has a reciprocal relationship.
2. The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
3. The senior accountant in charge of the field work shall be a certified public accountant.
4. The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. As part of its Proposal, the audit organizations shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the District and the Auditor General.
6. The audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million.
7. The audit firm must meet the independence requirements of the American Institute of Certified Public Accountants.

AUDIT CONTRACT AND FEES

1. The audit contract will be for three fiscal years. Each year must be treated as a separate audit. The contract period shall not exceed three years.

2. The Audit fee for the base audit shall be specified for each audit year. The Audit fee shall be inclusive of all expenses.
3. The Audit fee for the Additional Single Audit Act reports that may be required shall be specified separately for each audit year. The Audit fee shall be inclusive of all expenses.
4. Continuation beyond the initial fiscal year of the three-year contract will be at the discretion of the Administrative Board of the Portsmouth Water and Fire District.
5. Any representations made with the proposal submission will be relied upon and if proven to be false will be grounds for termination of the contract, if awarded. False representations will also be grounds for forfeiture of all payments under the contract. This will not limit the District from seeking any other legal or equitable remedies.

ADDITIONAL WORK

1. Any amendments to the contract for additional work will be negotiated in good faith.
2. In accordance with *Government Auditing Standards*, if the firm provides non-audit services, it must evaluate whether providing the services creates independence impairment with respect to the audit of the District.

AUDIT STANDARDS

1. The audit shall be conducted in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants and with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
2. If a Single Audit is required, then the standards contained in the amended (July 1996) Single Audit Act of 1984 and the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements must be followed.

AUDIT SCOPE

The financial statements to be presented and reported upon by the private auditor shall include:

1. Basic financial statements, which will include government-wide financial statements, fund financial statements, and notes to the financial statements in conformity with generally accepted accounting principles and as required by the Governmental Accounting Standards Board;
2. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information as required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
 - a. Required Supplementary Information:

- Management's Discussion and Analysis
 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Current Year and Prior Year
 - Schedules related to defined benefit plans and OPEB Plans, if applicable
3. Supplementary financial statements, schedules and information (with auditor's opinion reference that they are fairly stated in all material respects in relation to the basic financial statements as a whole):
- a) Supplementary Schedule of Operational Statistics (actual to budget) – Including Current Ratio, Debt to Equity Ratio, Operating Ratio, Cash flow coverage ratio, Margin on water sales.
 - b) Tax Collector's Annual Report - a statement as to uncollected taxes outstanding at the close of the last fiscal year according to the years for which the taxes were assessed;
 - The Tax Collector's Annual Report should be presented in accordance with the revised format requirements of the RI Department of Revenue - Division of Municipal Finance (contact the Division for the most current template).
 - c) Supplementary Schedule of Expenditures of Federal Awards, if applicable;
4. Major Federal Programs: If applicable, an audit of major programs in accordance with criteria outlined in OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.
5. Other schedules may be required by the District.

AUDIT REPORTS

Reports to be submitted, depending on the scope of the engagement, may include:

1. Reports on:
- a) the fair presentation of the basic financial statements in accordance with generally accepted accounting principles based upon an audit performed in accordance with generally accepted auditing standards and Government Auditing Standards. The auditor shall also make reference to, but not opine on, required supplementary information consistent with reporting guidance in the applicable AICPA Audit Guide.
 - b) supplementary financial statements, schedules and information, which are fairly stated in all material respects in relation to the basic financial statements as a whole.
 - The supplementary information shall include combining financial statements (if applicable) and the Tax Collector's Annual Report.

- c) internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with Government Auditing Standards.
- 2. Reports required under trust agreements, loan agreements, etc., if applicable.
- 3. Reports and summaries related to major federal financial assistance programs as required by OMB Guidance (the auditor should refer to applicable OMB guidance in effect and the applicable AICPA Audit Guide for reporting guidance).
- 4. Other reports requested by the District, as applicable.

MANAGEMENT LETTER

- 1. A management letter shall be provided upon completion of the audit to the General Manager and Administrative Board of the District, with copies to the Division of Municipal Finance and the Auditor General.
- 2. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:
 - a) compliance with policies, procedures and practices employed by the District
 - b) deficiencies in internal controls that do not meet the definition of significant deficiencies or material weaknesses
 - c) opportunities for strengthening internal controls and improving operational efficiency
 - d) compliance with state laws pertaining to fire districts and with rules and regulations established by the fire district.

AUDIT MEETINGS AND COMMUNICATIONS

1. The auditor shall meet with the District's staff prior to each audit to review the status of the existing financial records, make recommendations for any corrections or changes and to review expectations and deadlines for both parties.
2. A senior representative of the auditing firm shall meet with the Administrative Board's Administrative Subcommittee each year to present and review the draft Audit and Management letter.
3. A senior representative of the auditing firm shall meet with the Administrative Board at one of its regularly scheduled Board meetings (third Tuesday of each month at 7:00 PM) to present and review the final Audit and Management Letter
4. Auditor requests for information and documents prior to and during the audit shall be directed to the Office Manager in writing (email acceptable) with a copy to the General Manager.
5. Any information or analysis provided to the auditor by the District that is found to be inaccurate shall be documented in writing to the Office Manager (email acceptable) with a copy to the General Manager.

AUDIT REPORT SUBMITTALS

1. Exit Conference – Three (3) draft copies of all audit report(s) and the management letter shall be submitted to the General Manager of the Portsmouth Water and Fire District prior to the exit conference so that there will be adequate time for review and comment.
2. Administrative Subcommittee Meeting - Twelve (12) draft copies of all audit report(s) and the management letter shall be submitted to the District office one week prior to the Administrative Subcommittee meeting audit presentation.
3. Administrative Board Meeting - Twenty (20) final bound copies of all audit report(s) and the management letter shall be submitted to the District office one week prior to the Administrative Board meeting audit presentation.

INSURANCE

See attached for insurance requirements.

The Portsmouth Water and Fire District shall be named as Additional Insured on all policies.

ADDITIONAL PROPOSAL INFORMATION TO BE SUBMITTED

1. **Proposer technical qualifications** - the proposer shall, at a minimum, describe the following in the proposal:
 - a) the current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of the fieldwork for this audit;

- b) staffing information including: firm size, number of staff allocated to this audit job, relevant qualifications and experience of each person assigned to this audit;
 - c) a list of at least five (5) references of clients for which the Audit firm has done similar work - include company name, contact person, phone number and description of the work;
 - d) a statement of relevant experience including a list of governmental audits and a list of utility audits, particular water utility audits, performed in the last five years;
 - e) a detailed description listing the assistance that the Audit firm expects from the District;
 - f) estimated number of person-hours that the firm expects to expend to complete the required work. The person-hours shall be broken down by year and personnel category;
 - g) Identification of any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal;
 - h) list of any professional complaints pending or resolved against the firm or any of its partners with the state boards of accountancy, or any self-regulatory, professional or government authority including but not limited to the AICPA, or Rhode Island Board of Accountancy;
 - i) information regarding any lawsuits or claims against the firm, pending or resolved;
 - j) expected time budget and completion date for the audit, and
2. **Representations** - the following representations shall be provided as part of the proposal:
- a) a written representation that there exist no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards;
 - b) a written representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants and Government Auditing Standards;
 - c) a written representation that the private auditor meets the continuing educational requirements of Government Auditing Standards;
 - d) a written representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer;
 - e) a written representation that the private auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by Government Auditing Standards. The firm will provide the District and Auditor General with a copy of its most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the fire district and the Auditor General; and

- f) a written representation that that the Audit Firm will allow the District access to work-papers that provide detail of accounts and report line items, proposed adjustments, report schedules, footnotes, cited deficiencies of any type, and management letter comments and will make those same work-papers available to successor auditors following completion of the term of this audit contract at no cost to the District.
- g) a written representation that the private auditor is familiar with generally accepted accounting principles for state and local government units as prescribed by Governmental Accounting Standards Board (GASB) and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; Government Auditing Standards issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996; the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements. The private auditor will conduct the audit and report in accordance with those standards, and
- h) completed District proposal forms.

RESPECTFULLY SUBMITTED:

Date

Company Name

Corporation/Partnership/Sole Proprietorship

The only individuals interested as principals in the proposal are as follows:

Name _____ Address _____

Name _____ Address _____

Name _____ Address _____

(SEAL)

By: _____
(Print)

Witness

(signature)

Position with Company Proposing
(Print)

(If a corporation, give the State of Incorporation, stockholders, officers and registered agent.)

Accepted:

Date

(DISTRICT SEAL)

By:
Portsmouth Water and Fire District

Witness

Moderator