

LAGUNA MADRE WATER DISTRICT

105 PORT ROAD

PORT ISABEL, TEXAS 78578

REQUEST FOR SEALED PROPOSALS

FOR

AUDIT OF FINANCIAL STATEMENTS

LAGUNA MADRE WATER DISTRICT

105 PORT ROAD

PORT ISABEL, TEXAS 78578

TELEPHONE: (956) 943-2626 FAX: (956) 943-6228

REQUEST FOR SEALED PROPOSALS (RFP)

Proposal Title: Audit of Financial Statements

Proposal Closing Time: 2:00 PM Central Standard Time

Proposal Closing Date: July 23, 2024

Public Proposal Opening: Same day at 2:05 PM CST

Submission of Proposal:
(Five copies) Eduardo Salazar, Director of Finance
LAGUNA MADRE WATER DISTRICT
105 Port Road
Port Isabel, Texas 78578

Note: Proposals will not be accepted via facsimile

Proposal Package
Requirements May Be
Requested From: Eduardo Salazar, Director of Finance
Telephone: 956-943-2626 Ext 300
Fax: 956-943-6228
Email: esalazar@lmwd.org
Website: www.lmwd.org under Bids/RFPs/RFQs

LAGUNA MADRE WATER DISTRICT
REQUEST FOR PROPOSALS

SECTION I --- INTRODUCTION

A. General Information

The LAGUNA MADRE WATER DISTRICT ("**The DISTRICT**") is requesting proposals from qualified firms of Certified Public Accountants **to audit financial statements of the LAGUNA MADRE WATER DISTRICT.**

Three Proposals are being requested:

1. **THE LAGUNA MADRE WATER DISTRICT:** One (1) Proposal (5 copies) for fiscal year ending September 30, 2024.
2. **THE LAGUNA MADRE WATER DISTRICT:** One (1) Proposal (5 copies) for fiscal year ending September 30, 2025.
3. **THE LAGUNA MADRE WATER DISTRICT:** One (1) Proposal (5 copies) for fiscal year ending September 30, 2026.

These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*, and the provisions of the 1996 AICPA *Audits of State and Local Governmental Units* as well as the following additional requirements: examination for compliance with procedures established by Charter, Ordinance or, where applicable, State and Federal Laws or Regulations, including the *Texas Code of Criminal Procedures*.

There is no expressed or implied obligation for the LAGUNA MADRE WATER DISTRICT to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Any inquires concerning the Request for Proposals should be addressed to Eduardo Salazar, Director of Finance at 956-943-2626 Ext 300, by fax 956-943-6228 or by email at esalazar@lmwd.org.

To be considered, five (5) copies of each of the three proposals must be

received at LAGUNA MADRE WATER DISTRICT, 105 Port Road, Port Isabel, Texas 78578. The DISTRICT reserves the right to reject any or all proposals submitted, to waive any informality, and to hold proposals for a period of sixty (60) days subsequent to public opening. The General Manager and the Director of Finance will evaluate proposals.

During the evaluation process, the DISTRICT reserves the right, where it may serve the DISTRICT's best interest, to request additional information or clarification from Proposers, or to allow corrections of errors or omissions. At the discretion of the DISTRICT, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The DISTRICT reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in the Request for Proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the DISTRICT and the firm selected.

B. Term of Engagement

A one-year contract with the option to extend service for two additional years is contemplated, subject to satisfactory performance, the satisfactory negotiation of terms (including price acceptable to both the DISTRICT and the selected firm), and the concurrence of the DISTRICT Commission and the annual availability of an appropriation for audit services.

SECTION II --- NATURE OF SERVICES REQUIRED

A. General

The DISTRICT is soliciting the services of qualified auditing firms to audit the DISTRICT's financial statements. These audits are to be performed in accordance with the provisions contained in this Request for Sealed Proposals.

B. Scope of Work to be Performed

The DISTRICT desires the auditor to express an opinion on the fair presentation of its general-purpose financial statements in conformity with generally accepted accounting principles.

The DISTRICT also desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements. The auditor will be required to prepare the final financial statements and all other statements related to GASB 34 requirements and/or Single Audit if required.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The auditor is to provide an "in-relation-to" report on that schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements.

From time to time, the DISTRICT may request the auditor to perform other audits and reviews not specifically provided for under this section. If such a request is made, the auditor shall submit, at the DISTRICT's request, a separate proposal for completing the engagement, along with a proposed fee schedule. The DISTRICT reserves the right to contract any additional audits or reviews with whomever they choose.

C. Auditing Standards to be Followed

To meet the requirements of the request for proposals, the audit shall be performed in accordance with:

Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act

Amendments of 1996 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments* as well as the following additional requirements: examination for compliance with procedures established by DISTRICT Charter, DISTRICT Ordinance or, where applicable, State and Federal Laws or regulations, including the *Texas Code of Criminal Procedures*.

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.
4. An "in-relation-to" report on the schedule of federal and state financial assistance, if needed under single audit for FY2024, FY2025 and FY2026.
5. A report on the internal control structure used in administering federal and state financial assistance programs.
6. A report on compliance with laws and regulations related to major and non-major federal and state financial assistance programs. This report should include an option on compliance with specific requirements applicable to major federal and state financial assistance programs, a report on compliance with general requirements applicable to major federal and state financial assistance programs, and a report on compliance with laws and regulations applicable to non-major federal and state financial assistance program transactions tested.

In the required reports on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could

adversely affect the organizations' ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.

The reports on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of to the Director of Finance and/or General Manager.

Reporting to the General Manager and the Director of Finance. The auditors shall inform the General Manager and Director of Finance of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Special Considerations

1. The DISTRICT has determined that the Texas Commission on Environmental Quality will function as the cognizant agency in accordance with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Government*. It is not expected that the DISTRICT will fall under the requirements of the Single Audit Act.
3. The Independent Auditor's Report on the Internal Control Structure of the DISTRICT's most recent financial statement audit will be available to proposer's at the office of the Director of Finance or it can be downloaded from the District's website at www.lmwd.org under Annual Audits.
4. The DISTRICT may require the auditor's assistance to comply with new reporting requirements recently mandated by GASB.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the DISTRICT of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

LAGUNA MADRE WATER DISTRICT

Texas Commission on Environmental Quality

Auditors of entities of which the DISTRICT is a sub-recipient of grant funds

Federal Emergency Management Agency (FEMA)

Bureau of Reclamation

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

SECTION III --- DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Person

The auditor's principal contact with the DISTRICT will be Eduardo Salazar, Director of Finance, or a designated representative, who will coordinate the assistance to be provided by the DISTRICT to the auditor.

B. Background Information

The LAGUNA MADRE WATER DISTRICT is located, approximately twenty-five (25) miles northeast of Brownsville. The DISTRICT provides water and wastewater services to residents and business within the Laguna Madre area.

The DISTRICT's fiscal year begins on October 1st and ends on September 30th.

The DISTRICT has a total payroll of \$4.1 million covering 88 employees.

The accounting and financial reporting functions of the DISTRICT are centralized and the DISTRICT uses INCODE accounting software.

C. Fund Structure

The DISTRICT uses the following fund types in its financial reporting: General Operating Fund, Debt Service Fund, Capital Projects Fund, Fixed Assets Fund, Long Term Debt Fund, and Emergency Fund.

D. Budgetary Basis of Accounting

The DISTRICT does not prepare its governmental fund budgets on a basis consistent with generally accepted accounting principles. Accordingly, encumbrances are reflected in the CAFR, Combining and Combined Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - General, Special Revenue and Debt Service Funds to provide for a more meaningful budgetary comparison.

E. Federal and State Financial Assistance

The DISTRICT has not received Federal Financial Assistance that would be required for a Single Audit.

F. The DISTRICT participates in the Texas County and District Retirement System (TCDRS) pension plan.

G. The Director of Finance directs the Finance Department. The Finance Department consists of fourteen (14) employees.

H. Computer Systems

The DISTRICT's accounting records are computerized. The software used for general ledger, account payables, payroll, cash collections, accounts receivable, and purchase orders is INCODE by Tyler Technologies. A Local Area Network is in place.

J. Availability of Prior Audit Reports and Working Papers

Interested Proposers who wish to review prior years' audit reports and management letters should contact Eduardo Salazar at the LAGUNA MADRE WATER DISTRICT. In our efforts to make prior audit reports available to Proposers we have placed them on our website www.lmwd.org under the tab "Annual Audits".

SECTION IV --- ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department Assistance

The finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the DISTRICT.

B. Electronic Data Processing (EDP) Assistance

Basic data processing support and staff assistance will be available to the auditor. The District has a Wi-Fi in place for internet connectivity.

D. Statements and Schedules to be prepared by the DISTRICT Staff

The accounting staff will prepare necessary reconciliations and other working papers normally required for the annual audit. All working papers to be prepared by the DISTRICT must be submitted with adequate explanatory detail as to the purpose of the working papers as well as method of preparing the working papers.

E. Work Area, Telephones, Photocopying, and FAX Machines

The DISTRICT will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to one telephone line, photocopying facilities and FAX machine, as well as computers for printing schedules & etc.

F. Report Preparation

The Auditor shall provide twenty (20) copies of the CAFR bound and printed on letter size paper. The Auditor shall be responsible for the printing and binding/assembly of the entire report.

SECTION V --- PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the Request for Proposals must be made to:

LAGUNA MADRE WATER DISTRICT
Eduardo Salazar, Director of Finance
105 Port Road
Port Isabel, Texas 78578
Tel 956-943-2626 Ext 300
Email at esalazar@lmwd.org

2. Submission of Proposals

The following material is required to be received by the deadline for a proposing firm to be considered:

- a. A master copy (so marked) of the Technical Proposal and five (5) copies to include the following:

- i. Title Page

Title page showing the request for proposals' subject; the firm's name, address, DISTRICT & state; the name and telephone number of a contact person; and the date of the proposal.

- ii. Table of Contents

Include a clear identification of the material by section and by page number.

- iii. Transmittal Letter

A signed letter (limit to two pages) of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 60 days.

- iv. Detailed Proposal

The detailed proposal should follow the order set forth in this Request for Proposals.

- b. The proposer shall include five (5) copies of a dollar cost bid. **One for each year to be audited.**

B. Technical Proposal

1. General Requirements

The proposal should address all the points outlined in the Request for Proposals. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the Request for Proposals.

While additional data may be presented, the following subjects, items Nos. 2 through 14, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the LAGUNA MADRE WATER DISTRICT as defined by generally accepted auditing standards/the U.S. General Accounting Office's *Government Auditing Standards*.

The firm also should provide an affirmative statement that it is independent of all the component units of the DISTRICT as defined by those same standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the DISTRICT or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the DISTRICT written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Texas

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Texas.

4. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be employed on a part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, General Managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Texas. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement would be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the DISTRICT's commitment to diversity. A resume for each staff member should be included in the proposal indicating specific audit experience with a clear indication as to what specific responsibility each individual will have.

Audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the LAGUNA MADRE WATER DISTRICT

The firm should list separately all engagements within the last five years, ranked on the basis of total staff hours, for the DISTRICT by type of engagement (i.e., audit, management advisory services, other). For each engagement, the firm should indicate the scope of the work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (minimum of 5) performed in the last five years that are similar to the engagement described in this Request for Proposals. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this request for proposals.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work
- g. Approach to be taken in drawing audit samples for purposes of test compliance

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the DISTRICT.

10. Time Commitments

The proposal shall exhibit that existing and future time commitments of person(s) assigned to the project can accommodate the audit schedule producing the final audit within the time constraints detailed in this Request for Proposals.

11. Audit technical assistance

The proposal shall indicate that technical assistance and advice will be available to the DISTRICT when requested throughout the engagement period

12. Certificate of Achievement in Excellence

The proposal shall indicate audits prepared which received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association in the U.S. and Canada.

13. Report Format

The proposal should include sample formats for required reports.

14. Sample Contract

The selected proposer, after negotiations with the DISTRICT, will be asked to enter into an agreement for the audit period. The proposer is to submit a sample contract that will be the basis for the agreement with the DISTRICT.

C. Cost Bid

1. Total All-Inclusive Maximum Price for preparing the final financial statements and all other statements related to GASB 34 requirements and Single Audit if required **(One for each of the three years).**

The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this Request for Proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses stated separately.

The DISTRICT will not be responsible for expenses incurred in preparing and submitting the sealed proposal. Such costs should not be included in the proposal.

The dollar cost bid should include the following information:

- a. Name of Firm.
- b. Certification that the person signing the proposal is entitled to

represent the firm, empowered to submit the bid, and authorized to sign a contract with the DISTRICT.

- c. A Total All-Inclusive Maximum Price for each bid here requested. Identify the fee for out-of-pocket expenses, if any, separately from the fee for audit services.
 - d. A Total All-Inclusive Maximum Price for the preparation of the CAFR.
2. Partner, Specialist, Supervisory, and Staff Level Rates Times the Hours Anticipated for Each.

The dollar cost bid should include a schedule of professional fees and expenses that supports the total all-inclusive maximum price.

3. Out-of-pocket expenses included in the Total All-Inclusive Maximum Price and Reimbursement Rates.

All estimated out-of-pocket expenses to be reimbursed should be presented in the dollar cost bid. The firm should in the total all-inclusive maximum price submit all expense reimbursements.

Note: The DISTRICT will not accept nor pay for any administrative overhead charges added to expenses to be reimbursed.

4. Rates for Additional Professional Services
- If it should become necessary for the DISTRICT to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the DISTRICT and the firm. Any such additional work agreed to between the DISTRICT and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the dollar cost bid.

5. Manner of Payment

Total fee will be provided upon completion and submission of Final Audit Reports.

SECTION VI --- EVALUATION PROCEDURES

A. The General Manager, Director of Finance, and other appropriate staff will evaluate Proposals submitted.

B. Review of Proposals

The proposals will be evaluated using a point formula to score proposals based on the criteria described below.

The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other criteria.

The DISTRICT reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Texas
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the DISTRICT.

- d. The firm submits a copy of its most recent external quality control review report, peer review, and the firm has a record of quality audit work
- e. The firm adheres to the instructions in this Request for Proposals on preparing and submitting the proposal

2. Technical Qualifications

a. Expertise and Experience

- (1) The firm's past experience and performance on comparable government engagements based on references received
- (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
- (3) The firm's past experience and performance auditing similar federal or state financial assistance programs
- (4) The firm's computer expertise

b. Audit Approach

- (1) Adequacy of proposed staffing plan for various segments of the engagement
- (2) Adequacy of sampling techniques
- (3) Adequacy of analytical procedures
- (4) Adequacy of audit plan for electronic data processing function

3. COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.

D. Oral Presentations

During the evaluation process, the DISTRICT may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the DISTRICT may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The DISTRICT Board of Directors will select a firm based upon the results of the evaluation process.

Following notification of the firm selected, it is expected a contract will be executed between both parties.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the DISTRICT and the firm selected.

The DISTRICT reserves the right without prejudice to reject any or all proposals.