



**Child Development Associates, Inc.**

*Our Mission is to encourage and support the success and well being of children, families and the child care community...*

## REQUEST FOR PROPOSAL

### ANNUAL AUDIT PURSUANT TO SINGLE AUDIT ACT AND STATE AND LOCAL REGULATIONS AS DESCRIBED HEREIN

Our organization is accepting proposals from CPA firms to provide audit and tax services for our organization. We invite your firm to submit a multi-year proposal to perform an audit and deliver an audit report for three audit periods, beginning with the fiscal year ended June 30, 2019, with an option to renew for two additional one-year terms. We invite your firm to submit a proposal to us by July 24, 2019, for consideration. Note that the audit committee designated by the organization's board of directors is the decision-maker in the hiring of the organization's auditor. The organization is acting at the direction of the audit committee in sending this request for proposal (RFP) to you. A description of the organization, the services needed, and other pertinent information follow.

#### **Background of Child Development Associates, Inc. (CDA)**

Founded in 1974, CDA is a community based, 501(c)(3) non-profit organization agency whose mission is to encourage and support the success and well-being of children, families and the child care community. Incorporated in 1984, CDA has revenues of approximately \$100 million per year, and the organization employs 240 employees in 5 locations in San Diego. The organization has a June 30 fiscal year-end, and has an annual requirement to file financial statements audited under the Single Audit Act and adhering to the California Department of Education's Audit Guide. Please send us an email request to [jhernandez@cdasd.org](mailto:jhernandez@cdasd.org) for our most recent audit report for details on funding and related expenditures; you may also find this audit report in the Federal Audit Clearinghouse website. For further information, please visit [www.cdasd.org](http://www.cdasd.org).

#### **Services to Be Performed**

Your proposal is expected to cover the following services:

1. Annual audit of our basic financial statements (statement of financial position, statement of activities, statement of cash flows, statement of functional expenses) three audit periods, beginning with the fiscal year ended June 30, 2019, with an option to renew for two additional one-year terms, to be completed in accordance with:
  - a. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), which includes an auditor's evaluation of and reporting on the internal control over financial reporting.
  - b. The California Department of Education's Audit Guide for audits of state and federal child care and development programs. Accordingly, the following supplementary information will also be subject to the auditing procedures:
    - i. Schedule of Expenditures of Federal and State Awards.
    - ii. Combining Statement of Financial Position.
    - iii. Combining Statement of Activities.

180 Otay Lakes Road, Suite 300  
Bonita, CA 91902  
tel: 619.427.4411  
fax: 619.434.5323



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- iv. Audited Reserve Account Activity Report.
- v. Audited Attendance and Fiscal Report for California State Preschool Programs.
- vi. Audited Fiscal Report for Alternative Payment Programs.
- vii. Schedule of Reimbursable Expenditures for Renovation and Repairs.
- viii. Schedule of Equipment Expenditures Utilizing State Contract Funds.
- ix. Schedule of Administrative Costs.
- x. Schedule of Reported, Adjusted, and Allowable Meals – Center.
- xi. Schedule of Reported, Adjusted, and Allowable Enrollment – Center.
- xii. Schedule of Meals – Family Day Care Homes.
- xiii. Schedule of Active Sites – Family Day Care Homes.

2. Federal and state annual information returns for the organization to be filed before the Internal Revenue Service, Franchise Tax Board, and the California Attorney General's Registry of Charitable Trusts, for the fiscal year noted at (1.) above.

**Key Personnel**

Please contact Director of Finance Jorge Hernandez directly with respect to this engagement at our corporate office telephone number (619) 427-4411.

For control purposes, we ask that you coordinate requests for additional information, visits to our site, review of prior financial statements and tax returns, and/or appointments, with Director of Finance Jorge Hernandez.

**Relationship with Prior CPA Service Provider**

The above services have been provided in prior years by Armando Martinez & Company, CPAs. However, our organization needs to seek bids pursuant to our procurement policy. In preparing your proposal, be advised that management will give you permission to contact the prior auditors. Additional information may be available to your firm after signing a nondisclosure agreement which we will promptly provide when necessary.

**Timeframe for Audit work**

Planning – August 2019

Meet with oversight committee – August 2019

Receive a list of client-provided documents and requests – August 20, 2019

Fieldwork – September and October 2019

Financial draft for management review – October 31, 2019

Issue final audit report – November 15, 2019 (with a copy sent to California Department of Education).

Provide draft information returns for management review – January 15, 2020.

File final information returns by respective due dates of February 15, 2020.

## **Your Response to This Request for Proposal**

In responding to this request, please provide the following information:

### ***Background on the Firm***

1. Detail your firm's experience in providing auditing and tax services to entities in the not-for-profit sector, as well as organizations of a comparable size to CDA.
2. Describe knowledge of and experience with:
  - a. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), which includes and auditor's evaluation of and reporting on the internal control over financial reporting.
  - b. The California Department of Education's Audit Guide for audits of state and federal child care and development programs.
3. Provide information on whether you provide services to any related industry associations or groups.
4. Discuss the firm's independence with respect to CDA.
5. Discuss commitments you will make to staff continuity, including your staff turnover experience in the last three years.
6. Identify the five largest not-for-profit clients your firm (or office) has lost in the past three years and the reasons. Also, discuss instances when loss of the client was due to an unresolved auditing or accounting matter. Explain your strategies to resolve the issue(s).
7. Identify the partner, manager, and in-charge accountant who will be assigned to our job if you are successful in your bid; provide biographies for these individuals. Indicate any complaints that have been leveled against them by the state board of accountancy or other regulatory authority, if any. Indicate any corrective actions that have been taken by the firm with respect to these individuals.
8. Describe how your firm will approach the audit of the organization, including the use of any association or affiliate member firm personnel and the areas that will receive primary emphasis. Also, discuss the firm's use of technology in the audit. Finally, discuss the communication process used by the firm to discuss issues with the management and audit committees of the board.
9. Furnish current standard billing rates for classes of professional personnel for each of the last three years, including an expense policy describing how incidental costs (for example, travel and mileage) are billed.
10. Describe how you bill for questions on technical matters that may arise throughout the year.
11. Provide the names and contact information of other similarly sized not-for-profit clients of the partner and manager that will be assigned to our organization.
12. Describe how and why your firm is different from other firms being considered, and why our selection of your firm as our independent auditors is the best decision we could make.
13. Describe how your firm will prioritize the work you do for CDA.
14. Include a copy of your firm's most recent Peer Review report, the related letters of comments, and the firm's response to the letters of comments.

15. Describe the firm's approach to the resolution of technical disagreements (a) among engagement personnel, and (b) between the firm and the not-for-profit client.
16. Explain how you monitor and maintain your independence on an ongoing basis.
17. Finally, please submit information on the firm's liability insurance coverage.

### ***Experience in Our Industry***

1. Describe the firm's experience providing services to other companies in CDA's industry as well as providing services to companies within CDA's value chain—either as suppliers or customers.

### ***Expected Approach to This Audit***

1. Identify the partner, manager, and in-charge accountant who will be assigned to this audit if you are successful in your bid, and provide biographical material for each. Indicate any complaints against them that have been leveled by the state board of accountancy or other regulatory authority, if any. Indicate any corrective actions that have been taken by the firm with respect to these people.
2. Describe how your firm will approach the audit of the organization, including the use of any association or affiliate member firm personnel.
3. Set forth your fee proposal for three audit periods, beginning with the fiscal year ended June 30, 2019, with an option to renew for two additional one-year terms with whatever guarantees you offer regarding fee increases in future years. Provide your proposed fee for the corporate tax preparation if you are proposing to perform the tax work, for the same periods as the audit services. Ensure that the fee as proposed is sufficient to cover the work that you expect to perform if you are awarded this audit.

### **Evaluation of Proposals**

CDA's Audit Committee will evaluate proposals on a qualitative basis. This includes a review of the firm's peer review and related materials, interviews with senior engagement personnel to be assigned to our organization, results of discussions with other clients, and the firm's completeness and timeliness in its response to us. Finally, please submit information on the firm's liability insurance coverage.

If you choose to respond to this request, please do so by July 24, 2019. Please let us know if you choose not to respond to this RFP.

Sincerely,

Jorge Hernandez, MBA  
Director of Finance  
Audit Committee

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tel: 619.427.4411  
fax: 619.434.5323