



WESTERN VIRGINIA
WATER AUTHORITY

WESTERN VIRGINIA WATER AUTHORITY

AUDIT COMMITTEE

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

JANUARY 22, 2010

**601 S. JEFFERSON STREET, SUITE 210
ROANOKE, VIRGINIA 24011**

WESTERN VIRGINIA WATER AUTHORITY

REQUEST FOR PROPOSALS

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WESTERN VIRGINIA WATER AUTHORITY
REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The Western Virginia Water Authority ("Authority") is requesting proposals from qualified regional firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2010 through June 30, 2012 and 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, the standards set forth for financial audits in the U.S Government Accountability Office's (GAO) *Government Auditing Standards* (1994), the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

There is no expressed or implied obligation for the Western Virginia Water Authority to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

For all the firms interested in submitting a proposal, any inquiries concerning the request for proposals should be addressed to Bruce Grant, Director of Finance & Administrative Services at telephone number (540) 853-5760.

To be considered, one (1) original and ten (10) copies of a proposal must be received by Bruce Grant, Director of Finance & Administrative Services at 601 S. Jefferson Street, Suite 210, Roanoke, Virginia 24011 no later than 3:00PM on Tuesday February 16, 2010. The Western Virginia Water Authority reserves the right to reject any or all proposals submitted.

The Audit Committee has oversight over the Request for Proposal process. Proposals submitted will be evaluated by a review team.

During the evaluation process, the review team and the Western Virginia Water Authority reserve the right, where it may serve the Western Virginia Water Authority's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the Western Virginia Water Authority or the review team, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Western Virginia Water Authority 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 this request for proposals, unless clearly and specifically noted in the proposal submitted

and confirmed in the contract between the Western Virginia Water Authority and the firm

selected.

It is anticipated the selection of a firm will be completed by Friday March 19, 2010. Following the notification of the selected firm it is expected a contract will be executed between both parties by Wednesday March 31, 2010.

B. Term of Engagement

A three (3) year contract is contemplated with the option to audit the subsequent two (2) years, subject to the annual review and recommendation of the Audit Committee, the satisfactory negotiation of terms (including a price acceptable to both the Western Virginia Water Authority and the selected firm), and the concurrence of the Board of Directors.

II. NATURE OF SERVICES REQUIRED

A. General

The Western Virginia Water Authority is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2010 through June 30, 2012 with the option to audit the Western Virginia Water Authority's financial statements for each of the two (2) subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposal.

B. Scope of Work to be Performed

The Western Virginia Water Authority desires the auditor to express an opinion on the fair presentation of its business-type activities in conformity with generally accepted accounting principles.

The Western Virginia Water Authority also desires the auditor to express an opinion on the fair presentation of its individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and the individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

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 not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

C. Auditing Standards to Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepting auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S Government Accountability Office's (GAO) *Government Auditing Standards* (1994), the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements
3. A report on compliance and internal control over compliance applicable to each major federal program.

In the required report on compliance and internal controls, the auditor shall communicate any significant deficiency or material weakness found during the audit. A *significant deficiency* shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A *material weakness* shall be defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses shall be identified as such in the report. In addition, the following conditions shall be reported:

Control deficiencies discovered by the auditors that are neither significant deficiencies nor material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report(s) on compliance and internal controls. A *control deficiency* shall be deemed to have occurred whenever the design or operation of a control does not allow management or

employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

The report on compliance and internal controls 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 and internal controls.

Auditors shall be required to make an immediate, written report of irregularities and illegal acts or indications of illegal acts of which they become aware to the audit committee.

Auditors shall assure themselves that the Western Virginia Water Authority's audit committee is informed 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. Auditor's judgments about the quality of the entity's accounting principles;
6. Other information in documents containing audited financial statements;
7. Disagreements with management;
8. Management consultation with other accountants;
9. Major issues discussed with management prior to retention;
10. Difficulties encountered in performing the audit.

E. Special Considerations

1. The Western Virginia Water Authority will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide special assistance to the Western Virginia Water Authority to meet the requirements of that program.
2. The Western Virginia Water Authority has determined that multiple federal or state agencies will function as the cognizant agency(ies) in accordance with the provisions of the Single Audit Act of 1984 (as amended in 1996) and U.S. Office

of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are to be issued as part of the financial statements.
4. While implementing and complying specific reporting requirements recently mandated by the GASB the Western Virginia Water Authority may require the auditor's assistance to comply with these reporting requirements.
5. The Western Virginia Water Authority would request the auditor to be responsible for preparing and signing the Form SF-SAC – Data Collection Form and then ensuring submission to OMB, if applicable.

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 seven (7) years, unless the firm is notified in writing by the Western Virginia Water Authority 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:

Western Virginia Water Authority

U.S. Government Accountability Office (GAO)

Parties designated by federal or state governments

Auditors of entities of which the Western Virginia Water Authority is a subrecipient of grant funds

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.

III. DESCRIPTION OF THE AUTHORITY

A. Name and Telephone Number of Contact Person/Organizational Chart/Location of Offices

The auditor's principal contact with the Western Virginia Water Authority will be Bruce Grant, Director of Finance and Administrative Services, who will coordinate the assistance to be provided by the Western Virginia Water Authority to the auditor. The telephone number to reach Bruce Grant is (540)-853-5760.

An organizational chart (Appendix D) is attached. The location of the Authority's principal offices is located at 601 S. Jefferson Street, Suite 210, Roanoke, Virginia 24011.

B. Background Information

The Western Virginia Water Authority was formed in early 2004 by the Board of Supervisors of Roanoke County, Virginia and the Council of the City of Roanoke, Virginia pursuant to the Virginia Water and Waste Water Authorities Act (Title 15.2, Chapter 51, of the 1950 Code of Virginia, as amended). The purposes for which the Authority was formed are to exercise all powers granted to the Authority to acquire, finance, construct, operate, manage and maintain water, wastewater, sewage disposal and storm water control system and related facilities pursuant to the Act. The Authority shall have all of the rights, powers, and duties of an authority under the Act. The Authority services the Counties of Roanoke and Franklin and the City of Roanoke, and to the extent permitted by the Act and by the terms of the Articles of Incorporation and the Western Virginia Water Authority Operating Agreement, such other public or private entities as the Authority may determine upon the terms and conditions established pursuant to such contracts. The Authority began operations on July 1, 2004. Franklin County became a member in November 2009.

The Authority's governing body is composed of three members appointed by Roanoke County, three members appointed by City of Roanoke and one member appointed by the County of Franklin.

The Authority is formed for a term of fifty years. No participating government has access to its resources or surpluses, nor is any liable for the Authority's debts or deficits with the exception of the participants' continuing obligation under their water and sewer general obligation bonds. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 14, the Western Virginia Water Authority has been determined to be a joint venture. The Authority is not a component unit of any of the participating governments. There are no component units to be included within the Authority's financial statements.

The Authority treats and delivers 24 million gallons of drinking water per day for 56,000 customer accounts. The Authority maintains 1,040 miles of water mains, 52 pumping stations and 4,000 fire hydrants in the service area. Major water sources include the Spring Hollow reservoir, Carvins Cove reservoir, Falling Creek/ Beaver Dam Creek reservoir and Crystal Spring. Other sources include various groundwater wells.

The Roanoke Regional Water Pollution Control Facility serves the City of Roanoke, Roanoke County, the City of Salem, the Town of Vinton and portions of Botetourt County. The Authority treats 34 million gallons of wastewater a day throughout the valley for its 51,000 sewer customers, which also includes bulk contracts. The Authority's collection system consists of 886 miles of sewer gravity mains, over 22,000 manholes, 21 lift stations and 10 miles of force mains in the service area.

The Western Virginia Water Authority's fiscal year begins on July 1 and ends on June 30.

The Authority is administered by two Executive Directors, one for water operations and

one for wastewater operations. The Executive Directors have the direct supervision of all employees of the Authority and are responsible for the operation of the Authority.

The Authority has a total payroll of approximately \$15,000,000 covering approximately 270 full time employees.

The Authority is organized into nine (9) departments which are managed by seven (7) directors. The accounting and financial reporting functions of the Western Virginia Water Authority are centralized.

C. Fund Structure

The Western Virginia Water Authority currently maintains three funds: Water, Water Pollution Control (WPC) and Administration. The administration fund is allocated to both the Water and WPC funds which are the presented funds in the financial statements. Each fund has underlying sub-funds. Sub-funds of the Water and WPC funds account for transactions related to operations, reserves, capital and debt.

The fund structure for Western Virginia Water Authority is:

Water Fund Sub-funds:

- Water Operations
- Water Surplus Reserves
- Water Contingency Reserves
- Water Operating Fund Reserves
- Water Capital

Water Pollution Control Fund Sub-funds:

- WPC Operations
- WPC Surplus Reserves
- WPC Contingency Reserves
- WPC Operating Fund Reserves
- WPC Capital
- WPC Bond – Garst Mill
- WPC Wastewater Treatment Plant Capital

Administration Fund Sub-funds:

- Internal Services
- Utility Gas Clearing
- Utility Purchase Cards Clearing
- Utility Health Clearing
- Utility Dental Clearing
- Payroll Clearing
- Garage Clearing

D. Budgetary Basis of Accounting

The Western Virginia Water Authority prepares its budgets on a basis consistent with generally accepted accounting principles.

E. Federal and State Awards

During the fiscal years to be audited, the Western Virginia Water Authority may receive multiple federal and state awards.

F. Pension Plans

The Western Virginia Water Authority participates in the following pension plans:

Name of Plan: Virginia Retirement System

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension

Name of Plan: City of Roanoke Pension Plan

Identification of Plan: Cost-Sharing Multiple-Employer Defined Benefit Pension

G. Component Units

The Western Virginia Water Authority is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, there are no component units to include in the Western Virginia Water Authority's financial statements.

H. Finance Staff

The finance department is headed by Bruce Grant, Director of Finance and Administrative Services and consists of 3 full time employees.

I. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should visit the Authority website at www.westernvawater.org under the tab News/PublicDocs or contact Bruce Grant at 601 S. Jefferson Street, Suite 210, Roanoke, Virginia 24011. The Western Virginia Water Authority will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

Mailing of Request for proposals	January 22, 2010
Due date for proposals	February 16, 2010
Oral presentations	Week of February 22, 2010

B. Notification and Contract Dates

Selected firm notified	March 19, 2010
Contract date	March 31, 2010

C. Date Audit May Commence After Contract Signed

The Western Virginia Water Authority will have all records available for audit and all management personnel available to meet with the firm's personnel after the contract is signed.

D. Schedule for the June 30, 2010 through June 30, 2012 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if the Western Virginia Water Authority exercises its option for additional audits).

Each of the following should be completed by the auditor no later than the dates indicated.

1. Interim Work

The auditor shall complete interim work before June 30.

2. Detailed Audit Plan

The auditor shall provide Western Virginia Water Authority 30 days prior to final fieldwork both a detailed audit plan and a list of all schedules to be prepared by the Western Virginia Water Authority.

3. Fieldwork

The auditor shall complete all fieldwork by September 10.

4. Draft Reports

The auditor shall have drafts of the audit report(s) and recommendations to management available for review by the Audit Committee and the Director of Finance and Administrative Services by October 8.

- E. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed for audits of future fiscal years if the Western Virginia Water Authority exercises its option for additional audits).

At a minimum, the following status and informational conferences should be held during stages of the audit.

Entrance conference - Interim —————> Prior to Interim Fieldwork

The purpose of this meeting will be to discuss interim work to be performed and any prior audit problems. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor.

Progress conference – Interim —————> Conclusion of Interim Fieldwork

The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested and to discuss year-end work to be performed.

Entrance conference – Year End —————> Beginning of Year End Fieldwork

Exit conference – Year End —————> Conclusion of Year End Fieldwork

The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings.

- F. Date Final Report is Due

The Finance Department shall prepare the financial statements using an adjusted trial balance, supplementary schedules and statistical data and send to the auditor by September 20. The auditor shall assist with drafting the notes and provide recommendations, revisions and suggestions for improvement to the Finance Department by September 30. The auditor shall deliver 25 copies of the revised report, including draft auditor's reports and present the report to the Audit Committee by October 8.

The Finance Department and the Audit Committee will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Director of Finance and Administrative Services within seven working days. It is anticipated that this process will be completed and the final report delivered by October 29.

The final report in an electronic format along with 100 signed final copies should be delivered to Bruce Grant, the Director of Finance and Administrative Services, at 601 South Jefferson Street, Suite 210, Roanoke, Virginia 24011.

All required reports to the Auditor of Public Accounts (APA) must be submitted no later than November 30 following the end of the fiscal year. A copy of the Comprehensive Financial Annual Report (CAFR), including these reports must be submitted to the APA for each state agency that provided federal funds to the Water Authority.

The Western Virginia Water Authority will send its CAFR to the Government Finance Officers Association (GFOA) of the United States and Canada for review in its certificate of achievement program no later than December 31 following the end of the fiscal year.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department

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 Western Virginia Water Authority.

In addition, all necessary hours of clerical support will be made available to the auditor for the preparation of routine letters and memoranda.

B. Schedules to be Prepared by Western Virginia Water Authority

Schedules to be Prepared	Date
Adjusted trial balance by fund and subfund	August 31
Bank reconciliations	August 16
Reconciliation of revenue	August 16
Schedules of other income	August 16
Reconciliation of customer accounts receivable to sub-ledger	August 16
Analysis of allowance for bad debt	August 16
Schedule of other receivables	August 16
Reconciliation of inventory	August 16
Reconciliation of capital assets and construction work-in-progress	August 20
Schedule of capitalized closed construction projects	August 20
Schedule of contributed facilities received from developers	August 20
Accumulated depreciation and expense schedule	August 20
Reconciliation of accounts payable to sub-ledger	August 16
Schedule of accrued leave payable and accrued payroll liabilities	August 16
Schedule of long term debt payable and accrued interest payable	August 16

C. Work Area, Telephones, Photocopying and FAX Machines

The Western Virginia Water Authority will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to telephone lines,

photocopying facilities and FAX machines.

D. Report Preparation

Report preparation, editing and printing shall be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Bruce Grant, Director of Finance and Administrative Services
601 S. Jefferson Street, Suite 210
Roanoke, Virginia 24011
Telephone number: (540) 853-5760

Contact with personnel of the Western Virginia Water Authority other than Bruce Grant, Director of Finance and Administrative Services regarding this request for proposal may be grounds for elimination from the selection process.

2. Submission of Proposals

Proposals should be as thorough and detailed as possible so that the review team may properly evaluate your capabilities to provide the required services.

The following material is required to be received by Tuesday February 16, 2010 no later than 3:00PM for a proposing firm to be considered:

a. A master copy (so marked) of a Detailed Proposal and ten (10) copies must include the following:

i. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person who is authorized to negotiate price and enter contracts; and the date of the proposal.

ii. Transmittal Letter

A signed letter 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 the June 30, 2010 through June 30, 2012 fiscal year end audits.

iii. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

iv. Executed copies of Proposer Warranties and Guarantees, attached to this request for proposal (Appendix B)

- b. The proposer shall submit one (1) original and ten (10) copies of a dollar cost bid in a separate sealed envelope along with Appendix C affixed and marked as follows:

SEALED DOLLAR COST BID PROPOSAL
FOR
WESTERN VIRGINIA WATER AUTHORITY
FOR
PROFESSIONAL AUDITING SERVICES

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

BRUCE GRANT, DIRECTOR OF FINANCE AND
ADMINISTRATIVE SERVICES
601 S. JEFFERSON STREET, SUITE 210
ROANOKE, VIRGINIA 24011

B. Detailed Proposal

1. General Requirements

The purpose of the Detailed Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Western Virginia Water Authority in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Detailed Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE DETAILED PROPOSAL DOCUMENT.

The Detailed Proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the

sealed dollar cost bid). The Proposal should illustrate the auditors' capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 10, 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 Western Virginia Water Authority as defined by generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards* (1994).

The firm should also list and describe the firm's professional relationships involving the Western Virginia Water Authority 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.

3. License to Practice in Virginia

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

4. Firm Qualifications and Experience

The proposer 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 so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific Authority 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

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to

practice as a certified public accountant in Virginia. Provide information on the Authority 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.

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. Indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the Western Virginia Water Authority's commitment to Affirmative Action.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Western Virginia Water Authority. However, in either case, the Western Virginia Water Authority retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the Western Virginia Water Authority, which retains the right to approve or reject replacements.

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

6. Rotation of Lead Partner

In order to achieve a fresh look at an audit engagement, provide in detail a description of the audit firm's requirement to rotate the lead audit partner and audit review partner (or concurring reviewer) on all audits including the number of years in which a partner rotation must occur.

7. Similar Engagements with Other Authorities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (minimum - 10) performed in the last five years that are similar to the engagement described in this request for proposal. 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 person who the Western Virginia Water Authority may contact for reference.

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 Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as Western Virginia Water Authority's budget and related materials, organizational charts, and financial information systems.

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.

NO DOLLARS SHOULD BE INCLUDED IN THE DETAILED PROPOSAL

- c. Sample size 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 to gain and document an understanding of the Western Virginia Water Authority's internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of 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 Western Virginia Water Authority.

10. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE DETAILED PROPOSAL

C. Sealed Dollar Cost Bid

1. Total Cost of Audit Services for the Contract Period

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement for the fiscal years ending June 30, 2010 through June 30, 2012 as described in this request for proposals. The total cost of audit services for the three (3) year contract period should contain all cost to provide the services.

The Western Virginia Water Authority will not be responsible for expenses incurred in preparing and submitting the detailed proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed 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 Western Virginia Water Authority.
- c. A total cost of audit services for the contract period related to each of the fiscal years ending June 30, 2010 through June 30, 2012.

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix C), which supports the total cost of audit services for the contract period.

3. Rates for Additional Professional Services

If it should become necessary for Western Virginia Water Authority to request the auditor to render any additional services to either supplement the services requested in this RFP 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 Western Virginia Water Authority and the firm. Any such additional work agreed to between Western Virginia Water Authority and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Interim billings are not to exceed 80% of said fee. Final payment will be made upon approval of the Board.

VII. EVALUATION PROCEDURES

A. Review Team

Proposals submitted will be evaluated by a review team which will consist of staff and / or members of the Audit Committee.

B. Review of Proposals

The selection process will be in accordance with Section 2.2-4301 of the Code of Virginia. The review team may engage in individual discussions with two or more proposals deemed qualified, responsible, and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Proposals are encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the audit. Proposals will be screened and selection will be made on the basis of the criteria listed in the Request for Proposals and as depicted in Section VII (C). Proprietary information from competing proposals will not be disclosed to the public or competitors.

At the conclusion of the discussion, on the basis of the selection criteria listed in the Request for Proposals and all information developed in the selection process to this point, the review team shall select in order of preference two or more proposals whose professional qualifications and proposed services are deemed more meritorious. Negotiations will then be conducted, beginning with the proposals ranked first.

If a contract satisfactory and advantageous to the entity can be negotiated at a price considered fair and reasonable, the award will be made to that proposal. Otherwise, negotiations with the offer ranked first shall be formally terminated and negotiations conducted with the proposal ranked second and so on until such a contract can be negotiated at a fair and reasonable price.

The Western Virginia Water Authority 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 Virginia.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the Western Virginia Water Authority.
- c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
- d. The firm submits a copy of its last external quality control (peer) review report and the firm has a record of quality audit work.

2. Technical Quality: (Maximum Points – 80)

- a. The skill, experience, independence and training of the firm and specified persons who will be performing the service requested. (Points = 20)
- b. The auditor's understanding of the system of accounting obtained through prior experience or discussion with the appropriate officials. (Points = 20)
- c. The prior experience and reputation of the auditor in auditing Water and Wastewater Authorities. (Points = 20)
- d. Ability to complete the audit and submit the financial statement in order to meet the required deadlines. (Points = 10)
- e. Proximity of the audit firm to Western Virginia Water Authority. (Points = 10)

3. Cost of Audit Services for the Contract Period for each of the fiscal years ending June 30, 2010 through June 30, 2012: (Maximum Points – 20)

D. Oral Presentations

During the evaluation process, the review team 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 review team may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The Board of Directors will select a firm based upon the recommendation of the Audit Committee.

It is anticipated that a firm will be selected by March 19, 2010. Following notification of the firm selected, it is expected a contract will be executed between both parties by March 31, 2010.

F. Right to Reject Proposals

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

The Western Virginia Water Authority reserves the right without prejudice to reject any or all proposals.

VIII. OTHER MATTERS

A. Cancellation of Contract

The Western Virginia Water Authority reserves the right to cancel and terminate any resulting contract, in part or in whole, without penalty, upon sixty (60) days written notice to the Auditor. Any contract cancellation notice shall not relieve the Auditor of the obligation to complete an audit commenced prior to the effective date of the cancellation.

B. Default

In case of failure to deliver services in accordance with the contract terms and conditions, the Western Virginia Water Authority, after due oral or written notice, may procure them from other sources and hold the Auditor responsible for an resulting additional purchase and administrative costs. This remedy shall be in addition to any other remedies which the Authority may have.

C. Excusable Delay

The Water Authority shall not be in default by reason of any failure in performance of this agreement in accordance with its terms if such failure arises out of causes beyond its reasonable control and without the fault or negligence of the entity. Such causes may include, but are not restricted to, acts of God or public enemy, fires, floods, epidemics, quarantine restrictions, strikes, freight, embargoes, and unusually severe weather, but in every case the failure to perform must be beyond the reasonable control and without the fault or negligence of the Authority.

D. Qualifications of Proposer

The Authority may make such reasonable investigations as are deemed proper and necessary to determine the ability of the firm proposing to perform the work. The Authority reserves the right to reject any proposal if the evidence submitted by the firm, or investigations of the firm, fail to satisfy the Authority that such firm is properly qualified to carry out the obligations of the contract and to complete the work contemplated therein.

E. Anti-Discrimination and Drug-Free Workplace

By submitting their proposals, the Auditor certifies to the entity that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Act of 1975, as amended, where applicable, and Section 11-51 and 12 of the Virginia Public Procurement Act.

F. Ethics in Public Accounting

By submitting their proposals, the Auditor certifies that their bids or proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other bidder/offeror, supplier, manufacturer, or subcontractor in connection with their bid or proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction, any payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised unless consideration of substantially equal or greater value was exchanged.

G. Assignment

The Auditors shall not assign, sublet or transfer interest in this agreement without the written consent of the Authority.

H. Immigration Reform and Control Act of 1986

By submitting their bids or proposals, the Auditor certifies that they do not and will not during the performance of this contract employ illegal alien workers or otherwise violate the provisions of the Federal Immigration Reform and Control Act of 1986.

APPENDICES

- A. Findings from Recent External Audits
- B. Proposer Warranties and Guarantees
- C. Format for Schedule of Professional Fees and Expenses to Support the Total Cost of Audit Service for the Contract Period
- D. Organizational Chart

APPENDIX A

FINDINGS FROM RECENT EXTERNAL AUDITS

For the audits of fiscal years ended June 30, 2009, 2008 and 2007, no findings were noted.

APPENDIX B

PROPOSER WARRANTIES AND GUARANTEES

- A. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- B. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Western Virginia Water Authority.
- C. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.
- D. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX CSCHEDULE OF PROFESSIONAL FEES AND EXPENSESFOR THE FISCAL YEAR AUDITS OF THE 2010 - 2012 FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners				
Managers				
Supervisory Staff				
Staff				
Other (specify): _____				
Subtotal				
Total for other services described in Section II E of the RFP				
Out of pocket expenses				
Total cost for audit services for the fiscal year ending June 30, 2010 audit				
Total projected cost for audit services for the fiscal year ending June 30, 2011 audit				
Total projected cost for audit services for the fiscal year ending June 30, 2012 audit				

