

Grossmont Healthcare District

November 16, 2022



Grossmont Healthcare District (GHD)

REQUEST FOR PROPOSALS

Financial Statement Auditing Services

Inquiries and proposals should be submitted via email to:

Tom Scaglione, Chief Administrative Officer
tscaglione@grossmonthealthcare.org

Address: 9001 Wakarusa Street, La Mesa, CA 91942

Phone: 619-825-5050/www.grossmonthealthcare.org

Respondents to this Request-For-Proposals must submit completed proposals in electronic format by email and with the subject "Bid for Investment Advisory Services" and the name of the bidder.

Proposals must be received by 5:00 pm on January 6, 2023.

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REQUEST FOR PROPOSALS FOR FINANCIAL STATEMENT AUDITING SERVICES

I. GENERAL INFORMATION

About the Request for Proposal

The Grossmont Healthcare District (GHD, the “District”) is soliciting proposals from public accounting firms for financial statement auditing and State Controllers report preparation for the three fiscal years ending June 30, 2023, 2024, and 2025, with the option of auditing its financial statements for each of the two subsequent fiscal years. The audit is to be performed in accordance with current auditing standards generally accepted in the United States of America.

There is no expressed or implied obligation for the District to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. The District reserves the right to reject any or all proposals submitted.

Proposals submitted will be evaluated by staff, the Chief Administrative Officer, and the Chief Executive Officer. During the evaluation process, the District reserves the right, where it may serve the District’s best interest, to request additional information or clarifications 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 this Request for Proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the agreement between the District and the firm selected.

It is anticipated the selection of a firm will be completed by January 20, 2023.

Term of the Engagement

A three-year contract is contemplated, subject to the annual review and recommendation of the District staff, the satisfactory negotiation of terms (including a price acceptable to both the District and the selected firm), and the approval of the District Board of Directors.

II. NATURE OF SERVICES REQUIRED

General

The District is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2023, 2024, and 2025, with the option to audit the District's financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this Request for Proposals (RFP).

The District is to be kept abreast of new developments affecting special district accounting and reporting as well as any other issues. This includes requests from the District for professional advice on accounting matters throughout the fiscal year, and such advice should not be construed as consulting services, nor will compensation for such advice be contemplated unless explicitly negotiated by the District or its agents.

Scope of Services

GHD desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles. The selected independent auditor will be required to perform the following tasks:

1. The audit firm will perform a financial statement audit of GHD. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America. The audit firm will render their auditors' report on the basic financial statements. The audit firm will also apply limited procedures to the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) in accordance with auditing standards generally accepted in the United States of America.
2. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are non-reportable conditions.
3. The audit firm shall prepare the Annual Financial Transactions Report and submit the report to the State Controller's Office on the District's behalf.

All auditor's adjusting journal entries must be discussed and explained to the Chief Administrative Officer prior to recording. They should be in a format that shows the lowest level of posting detail needed for the District to enter the data into the general ledger.

Auditing Standards to be Followed

To meet the requirements of this 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.

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 in the United States of America,
2. A report on internal control over financial reporting and on compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*,
3. A report to *Those Charged with Governance* at the conclusion of the audit.
4. A SAS 115 report, if needed, identifying significant deficiencies or material weaknesses noted during the audit.
5. The auditor shall communicate other matters in a letter to management.

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 to GHD's Finance/Audit Committee.

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 District of the need to extend the retention period. The auditor will be required to provide electronic working papers, if used at the end of the audit and to make working papers available, upon request, to federal or state governments or their designees, or by the District as part of an audit quality review process.

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 DISTRICT

Name and Telephone Number of Contact Person

The auditor's principal contact with the District will be Tom Scaglione, Chief Administrative Officer, (619) 825-5034, who will coordinate the assistance to be provided by the District to the auditor.

Background Information

The Grossmont Healthcare District (GHD or the District) is a local healthcare district, formed in 1952, and organized pursuant to Division 23 of the Health and Safety Code of the State of California to provide and operate health care facilities for a specified geographic region of San Diego County. The District's boundaries encompass an area of 750 square miles in eastern San Diego County. Included within the District boundaries are the cities of La Mesa, Lemon Grove, Santee, and El Cajon, the San Carlos/Del Cerro communities of the City of San Diego, and certain unincorporated areas within San Diego County. The District owns Grossmont Hospital.

Effective May 29, 1991, the District entered into an Affiliation Agreement with Sharp HealthCare (SHARP), a multi-facility health care system located in San Diego County. The affiliation was effected through the creation of a non-profit public benefit corporation, Grossmont Hospital Corporation (the Corporation), of which SHARP is the sole statutory member. In connection with the affiliation, the District entered into a 30-year Transfer and Lease Agreement with the Corporation whereby the District's assets and liabilities, except land, investment funds, debt established pursuant to certain loan agreements and the deferred compensation program, were transferred to the Corporation in exchange for a receivable (the Transfer). In July 1992, the Corporation exercised its option to prepay the receivable. At the end of the Agreement's 30-year term, notwithstanding extensions, the Corporation will transfer back to the District all assets and liabilities pursuant to terms substantially identical to those of the Transfer Agreement.

In June 2014, the voters of the District passed a measure extending the lease an additional 30 years. The Extended Lease Agreement will expire in May 2051.

The District is governed by a five-member at-large elected Board of Directors.

The District's most current [financial statements](https://www.grossmonthealthcare.org/resources/public-information/public-documents/) can be found on the District's website.
<https://www.grossmonthealthcare.org/resources/public-information/public-documents/>

Fund Organization

The District currently has two governmental funds (no other fund) as follows:

1. The **General Fund** is the primary operating fund. It accounts for and reports all financial resources of the District, except those not accounted for and reported in another fund.
2. The **Debt Service Fund** is used to account for the accumulation of resources and the payment of Proposition G general obligation bond principal and interest from District resources, and special assessment bond principal and interest from special assessment levies, when the District is obligated in some manner for the payment.

Pension Plan

The District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

Component Units

The District does not have any component units

Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should visit the District website where District Budgets, Prior audits and Financial Reports are located:

<https://www.grossmonthhealthcare.org/resources/public-information/public-documents/>.

The District will use its best efforts to make requested supporting working papers available to proposers to aid their response to this request for proposal.

IV. TIMELINE

Proposers are requested to submit the list of schedules to be prepared by District personnel as a part of the Technical Proposal of this Request for Proposals.

Schedule for the 2023 Fiscal Year Audit

Proposers are requested to submit their proposed schedule for the 2023 Fiscal Year Audit as a part of the Technical Proposal of this Request for Proposals. Please include entrance conferences, progress reporting and exit conference in your proposed schedule. Each of the following should be included in the proposed schedule:

Entrance Conference with Chief Administrative Officer and Audit Committee – June/July 2023

The purpose of this meeting will be to discuss prior audit issues and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to plan for workspace and other needs of the auditor.

Interim Work – June/July 2023

Detailed Audit Plan – July/August 2023

Field Work – September/October 2023

Exit Conference with Chief Administrative Officer and Audit Committee – October/November

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

Draft and Final Reports – October/November

The auditor shall have a complete draft of the financial statements with audit report available for presentation and review to the Audit Committee for the November 2023 Audit/Finance Committee meeting and the Report completed for acceptance at the 2nd Board Meeting in November 2023. The auditor should be available for any meetings that may be necessary to discuss the audit reports. The auditor is responsible for the printing, binding, and delivery of 10 copies of the final reports to the Chief Administrative Officer prior to the 2nd Board Meeting in November 2023.

State Controller's Report – completed and filed – November 2023

V. PROPOSAL REQUIREMENTS

Contact with personnel of the District other than Tom Scaglione, Chief Administrative Officer, regarding this Request for Proposals may be grounds for elimination from the selection process.

Transmittal Letter

A signed transmittal letter confirming the proposer's understanding of the work to be done, the commitment to perform the work within the aforementioned timeline, a statement of 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 fiscal years 2023, 2024, and 2025.

Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the District 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 Technical Proposal should specify an audit approach that will meet the Request for Proposals requirements.

The Technical Proposal should address all the points outlined in the Request for Proposals (excluding any cost information, which should only be included in the Cost Proposal). The Technical 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 1 through 7) must be included. They represent the criteria against which the proposal will be evaluated:

1. Independence

The firm should provide an affirmative statement that it is independent of the District as defined by generally accepted auditing standards, the standards set forth for financial audits in the U. S. General Accounting Office's *Government Auditing Standards*. In addition, the firm shall give the District written notice of any professional relationships entered into during the period of this agreement.

2. License to Practice in California

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

3. 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 review, with a statement indicating 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.

4. 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 licensed to practice as a certified public accountant in California. 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.

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. 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 District. However, in either case, the District retains the right to approve or reject replacements.

5. Similar Engagements with Other Special Districts

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of five) performed in the last five years that are similar to the engagement described in this Request for Proposals. These engagements should be ranked based on total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name, telephone number, and email address of the principal client contact.

6. 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 the section of the Request for Proposals, "Nature of Services Required." In developing the work plan, reference should be made to such sources of information as the District's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

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

- a) Proposed schedule for the 2023 audit
- b) List of proposed statements and schedules that the District would need to provide to the auditor and their due dates
- c) Information technology assistance request
- d) Method of providing the District with important accounting changes throughout the year
- e) Sample size and the extent to which statistical sampling is to be used in the engagement
- f) Type and extent of analytical procedures to be used in the engagement
- g) Approach to be taken to gain and document an understanding of the District's internal control structure
- h) Approach to be taken in determining laws and regulations that will be subject to audit test work
- i) Approach to be taken in drawing audit samples for purposes of tests of compliance
- j) Anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the District

7. Report Format

The proposal should include sample formats for required reports.

The Technical Proposal is not to be more than ten single-sided pages in length including single page resumes of persons to be assigned to the project.

No dollars should be included in the Technical Proposal.

Cost Proposal

1. Total All-Inclusive Maximum Price

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

The District will not be responsible for expenses incurred in preparing and submitting the Technical Proposal or the Cost Proposal. Such costs should not be included in the proposal.

The first page of the Cost Proposal should include the following information:

a) Name of Firm

b) Certification that the person signing the Cost Proposal is entitled to represent the firm, empowered to submit the proposal, and authorized to sign a contract with the District

c) A total all-inclusive maximum annual price for the fiscal years 2023, 2024, and 2025 engagements.

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

The second page of the Cost Proposal 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

Out-of-Pocket expenses for firm personnel (e.g. travel, lodging and subsistence) will be reimbursed at the rates used by the District for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the Cost Proposal. All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

4. Rates for Additional Professional Services

If it should become necessary for the District to request the auditor to render any additional service 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 Cost Proposal.

5. Manner of Payment

Progress payments will be made based on hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's Cost Proposal. Interim billing shall cover a period of not less than a calendar month.

VI. EVALUATION PROCEDURES

Proposals submitted will be evaluated by a committee made up of District staff.

Evaluation Criteria

1. Mandatory Elements

- a) The audit firm is independent and licensed to practice in California
- b) The firm has no conflict of interest with regard to any other work performed by the firm for the District
- 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 review report and the firm has a record of quality audit work

2. Technical Qualifications

- a) The firm's past experience and performance on comparable special district engagements
- b) 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
- c) Adequacy of proposed staffing plan
- d) Adequacy of sampling techniques
- e) Adequacy of analytical procedures
- f) Answers to Item 6 in the Technical Proposal

3. Price

Cost will not be the primary factor in the selection of an audit firm.

Oral Presentation

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

Final Selection

The District will select a firm based upon the recommendation of the evaluation committee. It is anticipated that a firm will be selected, and a contract will be executed between both parties by the end of January 2023.

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 District and the firm selected. The District reserves the right without prejudice to reject any or all proposals.