

REQUEST FOR PROPOSALS

FOR

INDEPENDENT FINANCIAL AUDIT SERVICES

FOR

Monterey Bay Area Self Insurance Authority
(MBASIA)

RETURN PROPOSALS TO:

Lorissa Huey – Lorissa.Huey@alliant.com

Conor Boughey – cboughey@alliant.com

MBASIA Program Administrators

ISSUE DATE: **JANUARY 3, 2024**

RESPONSES DUE: **FEBRUARY 16, 2024 AT 5 P.M.**

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PURPOSE

MBASIA is soliciting proposals from qualified auditors to provide financial audit services for the JPA fiscal years ended June 30, 2024, 2025, 2026, 2027 and 2028.

DESCRIPTION OF THE JOINT POWERS AUTHORITY

Monterey Bay Area Self Insurance Authority, a Joint Powers Authority, was first formed in 1982. The JPA's original purpose was to provide small cities in the Monterey County area of California a mechanism to self-fund a layer of workers' compensation and liability insurance, as well as to obtain the advantages of group purchase excess insurance. MBASIA is comprised of 10 small cities in Monterey County, they include the City of Capitola, City of Del Rey Oaks, City of Gonzales, City of Greenfield, City of Hollister, City of King City, City of Marina, City of Sand City, City of Scotts Valley and the City of Soledad.

The Authority Pools the first \$1,000,000 for the Liability Program, with a Member deductible of \$25,000 per occurrence. For workers' compensation, the Authority pools the first \$250,000 of each loss, with no Member deductible. For both programs, the Authority is a Member of an excess pool for additional coverage. For Liability, the Authority is a Member of CARMA, for Employment Practices, the Authority is a Member of ERMA, and for workers' compensation, the Authority is a Member of PRISM.

MBASIA also offers group purchase of Property, and all Members participate. The cost to purchase this coverage is less than the cost to self-insure, however, this is not a self-insurance program and not part of the Financial Audit process, except to audit the pass through of funds.

MBASIA is governed by a ten Member Board of Directors. The Board has delegated oversight to a four member Executive & Finance Committee. There are four officers; a President, Vice President, Secretary & Treasurer (one position), and Past President. The Executive & Finance Committee meets as needed. The Board of Directors meets quarterly with the meeting at the beginning of November being the usual date for the acceptance and approval of the Financial Audit for the prior fiscal year.

MBASIA is administered by the Alliant Insurance Services - Specialty Group, in San Francisco, California. Acclamation Insurance Management Services serves as the claims administrator for the workers' compensation Program. George Hills Company serves as the claims administrator for the Liability Program. Jack Joyce of Bay Actuarial provides an independent actuarial review of MBASIA's liability and workers' compensation programs. His annual studies recommend funding level rates for the upcoming year as well as revaluations of outstanding claims liabilities and projected ultimate losses. MBASIA's Accounting is completed by the Alliant staff using QuickBooks.

Those assets needed for current operations are maintained in the Local Agency Investment Fund (LAIF) in Sacramento, which is administered by the State Treasurer's office. Long term investments are managed by Chandler Asset Management. This balance varies during the year. The remaining funds are held by Santa Cruz County Bank.

MBASIA invoices its members annually for the liability and workers' compensation program contributions. If a Member requests another installment method, that is allowed for either

monthly or quarterly installments. In rare occurrences, due to recent financial hardships related to the economic conditions, Members may request a Loan from the Authority to assist them in making their contributions. Members costs are allocated based on operating budget, payroll and loss experience of each member.

Auditors are requested to submit a proposal to provide MBASIA with audit services for an initial three year engagement. If MBASIA is satisfied with the services received it is the intention of MBASIA to then extend the services for an additional two years.

SCOPE OF SERVICES

- A. The audit shall be made in accordance with *Auditing Standards generally accepted in the United States of America* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. *These standards include generally accepted auditing standards as adopted by membership of the American Institute of Certified Public Accountants (AICPA)*, and the State Controller's *Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. The audit shall be made in accordance with generally accepted governmental auditing procedures prescribed by the AICPA and the Industry Audit Guide-Audit of State and Local Governmental Units and the appropriate sections of the Governmental Accounting Standards Board's Statements.

Auditors are expected to be knowledgeable of this program and have the experience to assist the JPA in achieving this reporting standard. Apply appropriate audit procedures to all required and other supplemental information including the combining financial statements, all individual fund financial statements, reconciliations of unpaid claim liabilities and loss development schedules and present an opinion regarding the fair presentation of all supplemental information "in relation to" the financial statements taken as a whole. Conduct an assessment of the JPA's internal controls. Obtain an understanding of the JPA's systems for internal controls sufficient to plan the audit by performing procedures to understand the design of controls relevant to an audit of financial statements, and whether they have been placed in operation. Prepare a written report with any recommendations regarding the auditor's assessment of the internal control structure and control risk including the control environment, risk assessments, control activities, information and communication, and monitoring. Perform tests of compliance with appropriate laws and regulation. Prepare a written report regarding any material findings resulting from the auditor's test of compliance with applicable laws and regulations. Present discussion drafts of the auditor's reports at an exit conference with appropriate JPA personnel. The purpose of this conference is to sustain effective auditor-client communication and provide a check against misunderstandings. Final draft of the Auditor's Opinion letter, Report on Internal Controls, Letter to Management, and any other required communications should be presented per the schedule outlined below.

Working Papers - the auditor shall retain working papers for a period of three (3) years, unless otherwise specified by the JPA. Such working papers shall be available for review and audit by the JPA, representatives of Federal, State and/or County Governments and other individuals designated by the JPA.

- B. The audit shall include a Report on Compliance and on Internal Controls over Financial Reporting in accordance with *Government Auditing Standards*.
- C. Additionally, MBASIA requires:
- As summarized under GASB 40

- An evaluation of the credit risk;
 - An evaluation of investments;
 - Statement of unpaid claims and claims adjustment expenses;
 - Evaluation of liabilities separately for the liability program and the WC program;
 - Ten year claims development triangle for the liability program and the WC program with premiums, investments, claims and expenses compared to net paid and incurred claims at year end for the past ten years;
 - Combining statement of net assets for liability and workers' compensation;
 - Statement of Net Assets by Member, Shared Risk Layer and Administration separately for liability and workers' compensation;
 - Statement of Revenues, Expenditures, and changes in net assets by Member, Shared Risk Layer and Administration separately for liability and workers' compensation;
- D. The auditor shall prepare a management letter, if necessary, with statements, observations, opinions, comments, or recommendations with regards to the financial statements of MBASIA and its system of internal controls.
- E. The first annual auditor's report must be completed and delivered to MBASIA in DRAFT form no later than October 15th and in the FINAL format not later than the November Board Meeting Date following the end of the year being audited. Dates for subsequent year's audits will be determined annually. The auditors shall provide electronic (PDF) version of the audit report, and printed bound copies if requested.
- F. The auditor may be requested to present the DRAFT findings to the Executive & Finance Committee or Ad Hoc Committee during the second week of October and will be requested to present the audit report to the Board of Directors annually at its autumn meeting, which is usually scheduled during the first week of November.

SCOPE OF PROPOSAL

Proposers shall submit proposals to provide the information requested in this section. Additional information may be provided.

- A. **Organization:** A brief description of your firm. Please include the name of the individual to contact for further information, size of your firm, as well as a summary of similar work or audits performed by your firm in the immediate past two years. Please also include at least three references.
- B. **Personnel:** A description of the qualification of all professional personnel who will be assigned to conduct the audit for MBASIA. Please include a brief resume of each professional and a summary of similar work of audits performed.
- C. **Methodology:** A description of your overall approach to the audit, including the work plan, specific techniques that will be used, specific administrative and operational management expertise, and auditing principles/standards that will be employed. Please provide a statement of assurance that the timeliness of the audit reports can be achieved.

D. **Conflict of Interest:** Disclosure of any past or current business or other relationship with MBASIA or any of its members that may have an impact upon the outcome of the audit. Include a listing of any current clients that may have a financial interest in the outcome of the audit.

E. **Cost:** Disclose the total contract bid price or cost your firm is proposing to MBASIA.

The total cost must be an exact amount. The cost must be detailed as to classes of personnel to be used in the audit and include the estimated number of hours and cost for each class. Other costs including travel and out-of-pocket costs may also be included. The bid price must be submitted in the following format:

| Auditor Classification/Name | Hours | Rate | Total Cost |
|--------------------------------------|-------|------|------------|
| _____ | | | |
| _____ | | | |
| _____ | | | |
| Travel and other out-of-pocket costs | | | |
| Total First Year Fee | | | |

We agree to perform the audit specified at a total cost not to exceed:

\$_____ For the fiscal year ending June 30, 2024

\$_____ For the fiscal year ending June 30, 2025

\$_____ For the fiscal year ending June 30, 2026

\$_____ For the fiscal year ending June 30, 2027

\$_____ For the fiscal year ending June 30, 2028

INSURANCE REQUIREMENTS

Proposers shall procure and maintain, during the entire term of the agreement, insurance pertaining to the activities associated with the agreement. Proposers will be required to obtain, at their own cost and expense, all insurance required in Appendix C. Proposers shall provide evidence of such insurance and endorsements to MBASIA prior to commencing work.

EVALUATION CRITERIA

1. Qualifications
2. Staffing and Project Organization
3. Fee

SELECTION PROCESS

Upon receipt of the proposal, MBASIA staff will review each firm's response. Proposals will be reviewed and considered by the MBASIA Executive & Finance Committee or Ad Hoc Committee. The Committee may elect to conduct interviews to further assist in the review process.

MBASIA reserves the right to award the contract to the auditor at its discretion depending upon multiple areas of criteria. Once selected, MBASIA will enter into contract negotiations with the selected firm, as determined by MBASIA at its sole discretion.

Failure to properly address all the items set forth above may disqualify the prospective auditor's proposal. MBASIA reserves the right to reject any and all proposals, to waive any informality, defect or irregularity in a proposal, to conduct contract negotiations with any firm (whether or not it has submitted a proposal), to alter the selection process in any way, to postpone the selection process for its own convenience at any time, to accept or reject any individual sub-consultant that a candidate firm proposes to use, and/or to decide whether or not to contract with any firm at its sole discretion. Nothing in this Request for Proposal shall be construed to obligate MBASIA to negotiate or enter into a contract with any particular firm. This Request for Proposal shall not be deemed to be an offer to contract or to enter into a binding contract or agreement of any kind.

SUBMISSION DEADLINE

All proposals must be received by e-mail to Lorissa Huey, Lorissa.Huey@alliant.com, with c.c. to Conor Boughey, cboughey@alliant.com by 5:00 p.m. on February 16, 2024. Late proposals will be rejected.

Questions concerning this Request for Proposal should be addressed to:

Lorissa Huey
Account Manager Lead
MBASIA Program Administrator
Alliant Insurance Services, Inc.
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Conor Boughey
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MBASIA Program Administrator
Alliant Insurance Services, Inc.
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SELECTION TIME TABLE

| DATES | ITEMS |
|------------------------|---|
| January 3, 2024 | Issuance of the Request for Proposal. |
| January 24, 2024 | Questions in writing due to Program Administrators by 5:00 p.m. |
| January 31, 2024 | Program Administrators' responses due. |
| February 16, 2024 | Proposals due by 5:00 p.m. |
| February, 2024 | Review proposals. |
| February - March, 2024 | Interview of firms, if necessary. Recommendation made by Executive & Finance Committee or Ad Hoc Committee. |
| April 8, 2024 | Selection of firm. |

MBASIA reserves the right to cancel and/or modify the above dates at any time or to make a dual appointment.

APPENDICES

- A. Auditor Distribution List
- B. MBASIA Member List
- C. Insurance Requirements
- D. MBASIA Most Recent Audit Report

APPENDIX A

AUDITOR DISTRIBUTION LIST

Crowe LLP
62 Memorial Road, Suite 100
West Hartford, CT 06107
(860) 678-9200
Joe Pieksza
Joseph.Pieksza@crowe.com

James Marta and Company
701 Howe Avenue, Suite E3
Sacramento, CA 95825
(916) 993-9494
Jim Marta
jmarta@jpmcpa.com

Maze & Associates
3478 Buskirk Avenue, Suite 217
Pleasant Hill, CA 94523
(925) 228-2800
Katherine Yuen / Amy Meyer
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(916) 646-6464
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Ahmed Badawi
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Morgan Hill, CA 95037
(408) 217-8749
Sheldon Chavan
Sheldon@cnallp.com

APPENDIX B

MBASIA MEMBER LIST

1. City of Capitola
2. City of Del Rey Oaks
3. City of Gonzales
4. City of Greenfield
5. City of Hollister
6. City of King City
7. City of Marina
8. City of Sand City
9. City of Scotts Valley
10. City of Soledad

APPENDIX C

Insurance Requirements for Professional Services

Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an “occurrence” basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$2,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Consultant has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than **\$1,000,000** per accident for bodily injury and property damage.
3. **Workers’ Compensation** insurance as required by the State of California, with Statutory Limits, and Employer’s Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease.

(Not required if consultant provides written verification it has no employees)

4. **Professional Liability** (Errors and Omissions) Insurance appropriate to the Consultant’s profession, with limit no less than **\$2,000,000** per occurrence or claim, **\$2,000,000** aggregate.

If the Consultant maintains broader coverage and/or higher limits than the minimums shown above, the Entity requires and shall be entitled to the broader coverage and/or the higher limits maintained by the contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the Entity.

Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Status

The Entity, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor’s insurance (at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 if a later edition is used).

Primary Coverage

For any claims related to this contract, the **Contractor’s insurance coverage shall be primary and non-contributory** and at least as broad as ISO CG 20 01 04 13 as respects the Entity, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the Entity, its officers, officials, employees, or volunteers shall be excess of the Contractor’s insurance

and shall not contribute with it. This requirement shall also apply to any Excess or Umbrella liability policies.

Umbrella or Excess Policy

The Contractor may use Umbrella or Excess Policies to provide the liability limits as required in this agreement. This form of insurance will be acceptable provided that all of the Primary and Umbrella or Excess Policies shall provide all of the insurance coverages herein required, including, but not limited to, primary and non-contributory, additional insured, Self-Insured Retentions (SIRs), indemnity, and defense requirements. The Umbrella or Excess policies shall be provided on a true “following form” or broader coverage basis, with coverage at least as broad as provided on the underlying Commercial General Liability insurance. No insurance policies maintained by the Additional Insureds, whether primary or excess, and which also apply to a loss covered hereunder, shall be called upon to contribute to a loss until the Contractor’s primary and excess liability policies are exhausted.

NOTE to Agencies: Please see the section on The Myth of “Following Form” Excess Limits Insurance Policies in chapter 2 for additional explanatory information on this very common Excess policy problem that needs to be verified and corrected.

Notice of Cancellation

Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the Entity.

Waiver of Subrogation

Contractor hereby grants to Entity a waiver of any right to subrogation which any insurer of said Contractor may acquire against the Entity by virtue of the payment of any loss under such insurance. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the Entity has received a waiver of subrogation endorsement from the insurer.

Self-Insured Retentions

Self-insured retentions must be declared to and approved by the Entity. The Entity may require the Contractor to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or Entity. The CGL and any policies, including Excess liability policies, may not be subject to a self-insured retention (SIR) or deductible that exceeds \$25,000 [fill in the amount for your comfort level for the specific Contractor and job – it could be much higher, or in the case of a very small Contractor, you might want it lower] unless approved in writing by Entity. Any and all deductibles and SIRs shall be the sole responsibility of Contractor or subcontractor who procured such insurance and shall not apply to the Indemnified Additional Insured Parties. Entity may deduct from any amounts otherwise due Contractor to fund the SIR/deductible. Policies shall NOT contain any self-insured retention (SIR) provision that limits the satisfaction of the SIR to the Named. The policy must also provide that Defense costs, including the Allocated Loss Adjustment Expenses, will satisfy the SIR or deductible. Entity reserves the right to obtain a copy of any policies and endorsements for verification.

NOTE to Agencies: If the SIR is not paid, there is NO COVERAGE for the Insured or you as the Additional Insured or Indemnified Party. Since there is usually a requirement in the SIR provisions on the Contractor’s policy that the Named Insured Contractor (not the Agency as an Additional Insured) is the only party allowed to make the payment of the SIR in order to trigger coverage, it is necessary to include the Contract provision requirement above

Acceptability of Insurers

Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the Entity.

Claims Made Policies (note – should be applicable only to professional liability, see below)

If any of the required policies provide claims-made coverage:

1. The Retroactive Date must be shown, and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided ***for at least five (5) years after completion of the contract of work.***
3. If coverage is canceled or non-renewed, and not replaced ***with another claims-made policy form with a Retroactive Date prior to*** the contract effective date, the Contractor must purchase "extended reporting" coverage for a minimum of ***five (5) years*** after completion of work.

Verification of Coverage

Contractor shall furnish the Entity with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause **and a copy of the Declarations and Endorsements Pages of the CGL and any Excess policies listing all policy endorsements.** All certificates and endorsements and copies of the Declarations & Endorsements pages are to be received and approved by the Entity before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The Entity reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time. Entity reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

Subcontractors

Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that Entity is an additional insured on insurance required from subcontractors.

Duration of Coverage

CGL & Excess liability policies **for any construction related work, including, but not limited to, maintenance, service, or repair work,** shall continue coverage for a minimum of 5 years for Completed Operations liability coverage. Such Insurance must be maintained and evidence of insurance must be provided ***for at least five (5) years after completion of the contract of work.***

Special Risks or Circumstances

Entity reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

APPENDIX D

MBASIA MOST RECENT AUDIT REPORT

PLEASE SEE SEPARATE REPORT PROVIDED WITH THIS RFP.