

Agenda
Sacramento Suburban Water District
Finance and Audit Committee

3701 Marconi Avenue, Suite 100
Sacramento, CA 95821

Tuesday, October 6, 2009
5:30 p.m.

Public documents relating to any open session item listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Committee concerning any item of interest. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The Committee Chair will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one-full business day before the start of the meeting.

Call to Order

Roll Call

Public Comment

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

Items for Discussion and Action

1. **Auditing Firm Proposals for the 2009 to 2013 Year-end Audits**
Consider auditing firm proposals for the 2009 to 2013 year-end audits.

2. **Treasury Management Services Proposals**
Consider banking institution proposals for the District's treasury management services.

I certify that the foregoing agenda for the October 6, 2009, meeting of the Sacramento Suburban Water District Finance and Audit Committee was posted by October 1, 2009 at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District



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Agenda Item: 1

Date: September 28, 2009

Subject: Selection of Outside Auditing Firm

Staff Contact: Dan Bills, Director of Finance

Recommended Committee Action:

Select an Auditing Firm for the next 5 years, with an option for annual renewal. Forward to the full Board for concurrence.

Discussion:

Per the District's "Engagement of Auditor Policy" (PL – Fin 001) (Policy), the Finance and Audit Committee is responsible for recommending the District's independent auditor to the full Board for acceptance, and administering the relationship between the District and the auditor.

The Policy requires the District "rotate auditing firms no greater than every five years" (Section 500.00.) The District last rotated auditing firms in 2007. In 2007, Charles Z. Fedak and Company was selected as the District's auditor for "a period of up to five years with year-to-year approval" (Minutes of August 7, 2007, Finance and Audit Committee meeting).

The current year proposed audit fee from Zedak and Company is \$35,300 escalating to \$38,100 by 2011. The hours proposed to spend on the audit each year is 275 hours. Cost per hour for 2009 is \$128.36.

Due to opportunities potentially present in the current economic environment and concerns expressed by Board members that the District ensures the best value received for expenditures of public funds, staff recently mailed a "Request for Proposal" (RFP) to ten auditing firms. Responses were received from seven.

Of the seven firms that responded, staff has prepared a weighted-evaluation for each firm based on their response to the District's RFP (see attached). Staff has further narrowed the evaluation down to three firms.

Evaluation:

A non-quantifiable benefit that comes with each auditing firm is their individual assessment of risk in testing District transactions and ultimately in its reporting. This assessment of risk determines the areas and dollar amount of transactions that need to be tested. Therefore, changing independent auditing firms potentially provides the District with a different risk

assessment and, therefore, a different approach to testing transactions, the District's control procedures, and its disclosures.

Richardson & Company

Score: 182

Maximum Score: 185

Richardson & Company was the District's auditor from its inception through 2006. Richardson & Company has proposed a first year fee of \$32,900 escalating to \$36,900 by 2013. This fee is all-inclusive and incorporates all out-of-pocket expenses. Further, each year 10 hours of additional work or consultation is included in their proposal.

The firm expects to put in 420 audit hours to complete the audit, which will include a report to the Finance and Audit Committee and one to the Board, as well as a presentation to the Finance and Audit Committee or the Board. Cost per hour for 2009 is \$78.33.

The firm is capable of performing a federal "Single Audit Act" audit that will be necessary as the District has become the lead agency on the recently awarded Bureau of Reclamation Challenge Grant.

Select current and past clients include: San Juan Water District, El Dorado Irrigation District, Carmichael Water District, Fair Oaks Water District, Merced Irrigation District, American River Flood Control District, South Yuba Water District, Solano County Water District, and the Solano County Water Agency.

During reference checking, El Dorado Irrigation District noted that Richardson & Company delved more deeply into the transactions and were more accessible than their current auditor -- Maze and Associates.

Gilbert Associates, Inc.

Score: 169

Maximum Score: 185

Gilbert Associates, Inc. has proposed a first year fee of \$35,000 escalating to \$39,000 by 2013. This fee is all-inclusive and incorporates all out-of-pocket expenses. 10 hours of additional work or consultation is not included in their proposal. Such additional consultations would be at their standard hourly rates.

The firm expects to put in 402 audit hours to complete the audit, which will include a report to the Finance and Audit Committee and one to the Board, as well as a presentation to the Finance and Audit Committee or the Board. Cost per hour for 2009 is \$87.06.

The firm is capable of performing a federal "Single Audit Act" audit that will be necessary as the District has become the lead agency on the recently awarded Bureau of Reclamation Challenge Grant.

Selection of Outside Auditing Firm

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Select current and past clients include: Placer County Water Agency, Association of California Water Agencies, Citrus Heights Water District, Fair Oaks Water District, and Rio Linda Water District.

Charles Z. Fedak and Company

Score: 159

Maximum Score: 185

Charles Z. Fedak & Company is the District's current auditor. The firm has proposed a first year fee of \$27,800 escalating to \$32,200 by 2013. This fee is all-inclusive and incorporates all out-of-pocket expenses. Further, 10 hours of additional work or consultation is not included in their proposal. Such additional consultations would be at their standard hourly rates.

The firm expects to put in 204 audit hours to complete the audit, which will include a report to the Finance and Audit Committee and one to the Board, as well as a presentation to the Finance and Audit Committee. Cost per hour for 2009 is \$136.27.

The firm is capable of performing a federal "Single Audit Act" audit that will be necessary as the District has become the lead agency on the recently awarded Bureau of Reclamation Challenge Grant.

Select northern California current and past clients include: North Coast County Water District, North Marin Water District, Purissima Hills Water District, San Lorenzo Valley Water District, and Westborough Water District.

Summary:

Based on the analyses of the proposals, staff suggests Richardson & Company as the provider with the best overall value to the District for auditing services.

From 1 to 5, 5 being best

Company	RFP compliance	Audit Approach	Specialization	Combined Audit and out-of-pocket cost	References	120 Day Completion	Per GASB 34 and SCO	Anticipated Hours on Audit	Expanded Testing	Debt Coverage Ratio	Interim Consultation	Experience in Auditing Other Water Agencies	In Peer Review Program or PCAOB	Independence	Disciplinary Action	In Charge Background	Clients Lost	Total
Mann, Urrutia & Nelson CPAs	1	3	3	4	5	5	5	0	5	5	3	3	5	5	5	3	0	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	1	9	9	12	15	15	15	0	10	10	3	6	10	5	15	3	0	138
Maze & Associates	2	5	5	3	4	5	5	4	1	1	4	5	5	5	5	5	0	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	2	15	15	9	12	15	15	12	2	2	4	10	10	5	15	5	0	148
Charles Z. Fedak & Company	2	4	5	5	5	5	5	3	4	4	0	5	5	5	5	5	0	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	2	12	15	15	15	15	15	9	8	8	0	10	10	5	15	5	0	159
Fechter & Company	4	5	3	3	5	5	5	4	5	1	3	1	5	5	5	3	5	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	4	15	9	9	15	15	15	12	10	2	3	2	10	5	15	3	5	149
Gilbert Associates Inc.	4	5	4	4	5	5	5	5	5	1	4	5	5	5	5	5	5	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	4	15	12	12	15	15	15	15	10	2	4	10	10	5	15	5	5	169
Marcia Fritz & Company	3	5	1	4	5	5	5	3	5	5	5	2	5	5	5	4	5	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	3	15	3	12	15	15	15	9	10	10	5	4	10	5	15	4	5	155
Richardson & Company	5	5	5	4	5	5	5	5	5	5	5	5	5	5	5	5	5	
Importance (3 = very important)	1	3	3	3	3	3	3	3	2	2	1	2	2	1	3	1	1	
Weighted value	5	15	15	12	15	15	15	15	10	10	5	10	10	5	15	5	5	182



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Agenda Item: 2

Date: October 1, 2009

Subject: Selection of a Bank to Perform District Treasury Functions

Staff Contact: Dan Bills, Director of Finance

Recommended Committee Action:

Select a bank to perform District treasury functions. Forward to the full Board of Directors (Board) for concurrence.

Discussion:

At the request of the Board staff was asked to analyze the monthly service charge the District pays to its current bank – WestAmerica.

To accomplish this task staff reviewed current bank charges by function and cost. Staff then requested comparable proposals from two national banks – Bank of America and Wells Fargo. Charges for the month of June were used as the comparison base.

Based on the analysis - Bank of America's monthly charge for similar services would be \$11,600, Wells Fargo would be \$9,700 (plus a one-time set up fee of \$4,755), and WestAmerica charges would be \$8,600.

Further, both Bank of America and Wells Fargo would require: 1) a new address for payments made to the lockbox, and 2) employee daily deposits of cash and checks received directly by the District at the respective banks' nearest branch office. Currently deposits received by customer service are made daily by courier.

Summary:

Based on the analyses of the proposals, staff suggests retaining WestAmerica as the bank with the best overall value to the District for its treasury services.

Comparative Analysis

	Bank of America	Wells Fargo	WestAmerica
Status: Total Assets Bank Type Other	\$2,254 billion National	\$1,300 billion National	\$5.4 billion Regional District's Current Bank
Function			
Lock Box: Processes customer check payments and copies the check and pay stub for on-line review. A special P.O. Box is used and a courier picks up the payments daily.	\$100.00 base fee; \$0.34 per check scan; \$0.36 per manual input for items not matching bill payment; \$0.10 scan coupons.	\$560.00 base fee; \$0.16 per check scan; \$0.40 per manual input for items not matching bill payment; \$0.02 scan coupons.	\$100.00 base fee; \$0.20 per invoice scan; \$0.45 per manual input for items not matching bill payment; \$200.00 per month for <u>daily coupons delivered by courier.</u>
Staff out sourced its invoice payment service in late 2003 as it took a significant amount of staff time and costs to process payments in house.	June Lock Box Cost: \$8,485.00	June Lock Box Cost: \$4,617.00	June Lock Box Cost: \$5,374.00
Benefit: Reduces staff workload, speeds payment collection, and reduces processing float.	Need to change P.O Box	Need to change P.O Box	
Account Reconciliation: Daily, weekly and monthly reporting of account balance (bank statement). Can use customized reports to receive data. Available on-line daily.	\$15.00 per account	\$15.00 per account	\$17.00 per account

	Bank of America	Wells Fargo	WestAmerica
Depository Services: Courier collects payments (checks, cash & coin) made directly in the office by courier daily.	\$1.00 per deposit ticket; \$0.19 per \$100 of coin & currency deposit; \$0.07 for each check deposited.	\$0.14 per \$100 of coin & currency deposit; \$ 0.19 for each check deposited.	\$1.30 per deposit ticket; \$0.12 for each \$100.00 of coin & currency deposit; \$0.11 for each check deposited.
Positive Pay: Allows for all checks written to be submitted to the Bank via electronic reporting so that all checks written will be validated for the correct check number and amount. Reporting of checks cleared and discrepancies are reported to the District daily.	Staff makes daily deposit Service Provided – Cost Not Available	Staff makes daily deposit Service Provided – Cost Not Available	Daily courier service – \$200.00/month \$60.00 monthly fee; \$10.00 per batch fee; and \$0.05 per check fee. District receives copy of discrepancies within 2 hours of identification.
Wire Transfers: Payment or receipt of wires through the Federal Reserve Bank.	\$25.00 account fee; \$11.00 per wire	\$9.00 per wire	\$10.00 per wire
Earnings Credit Rate (ECR): For positive bank balances the bank will pay a rate of interest to the District.	0.75%	0.75%	0.75%
Electronic Banking and Cash Management: Allows exporting files from customer account payments to accounting system.	\$100.00 base fee; \$5.00 per additional account; \$0.30 report fee.	\$60.00 base fee; \$10.00 per additional account; \$0.75 per report fee.	\$200.00 base fee; \$5.00 per additional account; \$0.05 per report fee.
Electronic Collections and Deposits: Direct Payment Service enables the District to originate Automated Clearing House (ACH) transactions from any bank. Allows District to automatically withdraw payments from customer accounts.	\$30.00 per month base fee; \$0.08 per on-line transaction fee \$0.06 per front desk transaction fee; \$7.00 per ACH report/upload.	\$75.00 per month base fee; \$0.10 per item fee; \$0.10 per front desk transaction fee; \$5.00 per ACH report/upload.	\$40.00 per month base fee; \$0.08 per on-line transaction fee; \$0.09 per front desk transaction fee; \$10.00 per ACH report/upload.
FDIC Assessment: A charge imposed by the FDIC on each accounts balance.	Charged at \$0.1919 per \$1,000 of bank balance	Charged at \$0.30 per \$1,000 of bank balance	No charge to the District

	Bank of America	Wells Fargo	WestAmerica
Returned Items and Stop Payment: Returned checks received from other financial institutions. Charged back to the District's account daily. Notification is on-line daily with the check returned to the District via mail.	\$5.00 per returned item; \$12.50 per stop payment.	\$14.00 per returned item; \$6.00 per stop payment	\$7.00 per returned item; \$12.00 per stop payment.
Comparable Monthly Invoice (June 2009):	\$11,600.00	\$9,700.00	\$8,600.00
Set-up Charge	None	\$4,755.00	None