

MEMORANDUM

Date: September 16, 2019
To: Board of Directors
From: Tom Hennig, Director of Administration
Subject: Financial Accounting Services Contract with The Pun Group

RECOMMENDED ACTION

Waive the RFP/Q requirements and approve a sole source contract with The Pun Group for providing additional specialized accounting services to reconcile accounting records and periods, assist with audit readiness and preparations, restructure the chart of accounts, evaluate fixed assets and provide on-call assistance with accounting and reporting, in an amount not to exceed \$60,000. Funding will come from the District's consulting budget.

BACKGROUND

Between April and June 2019, The Pun Group (TPG) conducted a thorough analysis of how the District's Financial Account Services are managed as well as the District's compliance with laws and regulations over the financial activities for Special Districts in California. Their work product was summarized in the form of a report to the Board of Directors (Board) at the Board Meeting on July 17, 2019. Based on the original scope and a mid-project scope expansion, they have developed a listing of Critical, Important and Good Practices in the areas of Human Resources and Payroll, Financial Processes and Policies, Financial System Integration, and Financial and Other Reporting. Finance staff agreed with the findings, have worked with TPG to prioritize the findings, and have implemented or are in the process of implementation of the specific recommendations.

CURRENT SITUATION

At the request of the Board, we requested TPG to propose a strategy for implementing the recommendations which are beyond the current capacity of staff and that are of the highest priority ranked by District staff. Their proposal, which is included with this memo, provides estimates for addressing the recommendations which are not currently being addressed by District staff due to limited resources. We are recommending to contract with TPG to address time sensitive tasks to assist with meeting our legally required audit requirements.

This contract would be considered the second phase of their work. This phase will include the services listed below and as further detailed in the attached Services Agreement. Staff will provide updates to the Board as part of the monthly finance reports as work progresses. The costs of the services below are expected to not exceed \$60,000 for the duration of the agreement.

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| A. Monthly Close - Assist Controller with the current monthly closings through June 30, 2019 for the Proposed Tasks as identified in the Services Agreement. |
| B. Audit Readiness - Assist Controller in preparing required schedules and reconciliations to assist in readying the District for its FY 2018-19 audit. |

C. Chart of Accounts - Assist in restructuring of the District's Funds and Chart of Accounts to conform with the Minimum Audit Requirements and Reporting Guidelines for California Special Districts and pooled cash.
D. Capital Accounting - Evaluate the District's process for project accounting and capital assets/recommend improvements.
E. Provide monthly on-call assistance with needed financial accounting and reporting.

District staff believes it is in the best interest of the District to continue to utilize TPG as a sole source vendor in order to maintain continuity for the overhaul of the financial services. TPG has the existing knowledge of the District's financial operations, are considered experts in Special District accounting and auditing, and have available resources to fulfill the project needs. In addition, the audit for the District is required to be filed on or before March 15, 2020 in order to comply with the District's bond covenants. Due to the substantial learning curve needed, and the current workload, it would not be prudent to bring in another firm at this stage. According to District's General Counsel, the RFP/Q procedure for professional services is not required by state law, therefore, the Board may waive the requirement as to the Services Agreement for reasons specific to the work requested. In this instance, we would point out the following reasons for approving this contract as sole source.

- TPG has become knowledgeable and valuable in the most critical aspects of the District's Financial operations, during a time of unprecedented turnover in accounting staff.
- TPG has direct working knowledge of our general ledger, Great Plains, and related financial systems.
- There is a critical need to accomplish the proposed tasks in an expedited manner to fulfill the annual close and annual audit.
- Current staff have not worked for the District long enough to properly support the overall needs of the audit.
- The services requested are a one-time need. Once completed, District staff will have the capability for completing this work without outside assistance.

SUMMARY

Upon approval of this contract, District staff will begin scheduling TPG to provide the above listed services and complete the necessary activities for closing previous accounting periods, prepare for the external audit, review options for updating and changing the District's chart of accounts, and working with TPG to reconcile and make improvements to the District's project accounting and capital assets.