

**REQUEST FOR PROPOSAL  
TO PROVIDE  
AUDITING AND TAX SERVICES**



**February 16, 2015**

# **MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION**

## **REQUEST FOR PROPOSAL TO PROVIDE AUDITING AND TAX SERVICES**

### **I. PURPOSE**

The Magnolia Educational and Research Foundation (“MERF”) is seeking a qualified firm to conduct its annual audit and render an opinion of MERF’s financial statements for the years ending June 30, 2015, 2016 and 2016. MERF requires a review of its operations to ensure compliance policies and regulations, safeguarding of assets, and the reliability and integrity of information.

### **II. BACKGROUND**

MERF is a California not-for-profit organization headquartered in Westminster, California, that during the year ended June 30, 2014, operated eleven K through 12 charter schools serving 3,790 students in Los Angeles, Orange, Santa Clara and San Diego Counties. For more than a decade, MERF has delivered high quality education emphasizing science, technology, engineering and math. MERF is regularly recognized as having some of the top-performing schools in the nation with MPS Science Academy (Reseda) ranked among the top high school in the country by U. S. News and World Report and the Washington Post in 2012.

Having our students achieve their potential is an imperative for MPS, and as such each MPS charter petition delineates specific charter school’s annual goals, including goals to be achieved in the state priorities, core academic skill goals, and goals for lifelong learning and interpersonal skills. The charter petitions also describe specific actions to achieve those goals, measurable pupil outcomes, and methods for measuring pupil outcomes.

### **III. NATURE OF ENGAGEMENT**

#### **A. Annual Audit**

The selected accounting firm will perform the audit for the purposes of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of MERF and its school entities in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”). The engagement will include audits for each of the schools and the organization on a consolidated basis.

Audit Services shall include an examination of compliance with applicable directives, laws, regulations and contracts or grant documents.

MERF conforms to GAAP which requires it to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The auditor also will be expected to communicate findings of any significant deficiencies and material weaknesses in internal controls in a management letter.

As part of the engagement, the auditor will be required to present the financial statements to MERF's Audit Committee.

### **B. Annual Federal and State Tax Filings**

As part of the engagement, the selected accounting firm will complete all required Federal and State tax filings for MERF. This includes any required extensions to be filed. As our auditor, you would be aware of the nature of our operations and would advise us on any changes to the law or deficiencies in filing or compliance that you discover. In addition to tax filing preparation, MERF requires a public inspection copy of the form 990, and any filings that requires such, with the appropriate redaction of sensitive information.

### **C. Deliverables**

- The auditor shall give biweekly progress report to the Chief Financial Officer during the audit process. There shall be immediate notification if fraud is suspected.
- A Management letter containing comments and recommendations with respect to accounting and administrative controls and efficiencies.
- Ten (10) copies of the final audit reports shall be submitted to MERF.
- Any associated Federal and State required filings, along with any required schedules in accordance with IRS filing deadlines.

### **D. Working Paper Retention**

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) year, unless the firm is notified in writing by MERF of the need to extend the retention period. The auditor will be required to make working papers available to MERF upon request. 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.

### **E. Irregularities and Illegal Acts**

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indication of illegal acts of which they become aware to the following parties: MERF Board President, Chief Executive Officer, and Chief Financial Officer.

## **IV. GENERAL INFORMATION**

The following is general information about MERF as of the 2013-14 fiscal year:

- Employees 350
- Frequency of Payroll Monthly
- The organization uses Quickbooks on an accrual basis for its accounting software.

- Sources of income include Federal and State apportionments, donor contributions, grants and other income.

The organization is in the process of submitting an RFP to retain a back office service provider starting July 1, 2015. The services provided will include Accounts Payable, Accounts Receivable, Payroll, Cash Flow management, Budget Preparation, Financial Reports Preparation, Regulatory Reporting and Compliance, and Accounting Technology among others.

We have attached the audited financial statements for all schools and consolidated for the most recent year ended June 30, 2014.

**V. TIME REQUIREMENTS**

**Proposal Calendar**

The following is a list of projected key dates up to, and including, the date of the audit is to be completed:

February 16, 2015	Request for proposal issued
March 12, 2015	Due date for Proposals
March 14-April 3, 2015	Selection process
April 10, 2015	Contract Awarded
April 15, 2015	Review and planning Meeting
April 27, 2015	Field work begins
November 9, 2015	Final Draft report due
November 30, 2015	Final report due
December 10, 2015	Report presentation

**VI. ASSISTANCE TO BE PROVIDED TO THE AUDIT FIRM**

The accounting staff will be available during the audit to assist the firm by providing information, documentation, and explanations. MERF will provide the auditor with reasonable workspace and equipment.

**VII. PROPOSAL REQUIREMENTS**

**A. General Requirements**

- i. General requirements include the following:

Proposals should be submitted no later than 4:00 p.m. on Thursday March 12, 2015. Submit three (3) copies of the proposal by mail to the following address:

Oswaldo Diaz  
 Chief Financial Officer  
 Magnolia Educational and Research Foundation  
 13950 Milton Avenue, Suite 200B  
 Westminster, CA 92683

Inquiries concerning the Request for Proposal must be made via email to Oswaldo Diaz, Chief Financial Officer at [odiaz@magnoliapublicschools.org](mailto:odiaz@magnoliapublicschools.org).

- ii. The firm must be licensed to practice sufficiently to meet regulatory requirements to audit our entire operations which include our 11 schools and home office.
- iii. To qualify the firm must have experience in audits of not for profits charter schools and the required tax filings for both Federal and State governments.
- iv. The firm should state the size of the firm, the location of the office from which the work on this engagement is to be performed, and the number and title of the professional staff to be employed on this engagement. In addition, please indicate if portions of the audit will be completed by other offices of the firm.
- v. Provide a list of no less than three client references for similar nonprofit clients. For each reference listed provide the name of the organization, address and telephone number of the responsible person within the reference's organization.
- vi. Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to this engagement.
- vii. The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this request for proposal.
- viii. A copy of the firm's most recent peer review report.

## **B. Contents of Cost Proposal**

- i. The proposal should contain all pricing information relative to performing the audit engagement and tax engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all costs. In the event additional work is required, please indicate the firm's billing rates.
- ii. In addition to audit and tax services, MERF anticipates an ongoing relationship with its auditor. MERF may seek advice from time to time throughout the year and would expect that this advice would be a component of the audit services provided to ensure that all financial and business transactions are accounted for and disclosed correctly.

## **VIII. EVALUATION PROCEDURES**

### **A. Review of Proposal**

MERF Audit Committee and staff will evaluate submitted proposals.

### **B. Basis of the Award**

MERF reserves the right to determine which proposals meet the basic requirements of this RFP. In addition, MERF may reject in whole or in part, any and all proposals, waive minor irregularities, and negotiate in any matter deemed necessary to serve the best interest of MERF. MERF reserves the right to reject any and all proposals that it deems have not met the prerequisites of the proposal guidelines, on anyone who has previously failed to perform properly or complete on time contracts of a similar nature. MERF also may reject a proposal that is not, in the sole opinion of MERF, able to perform to the satisfaction of MERF.

### **C. Notification**

All the participating firms will be notified whether the firm was awarded the contract.

We appreciate the time and consideration given to this request for proposal for professional Auditing and Tax Services and believe this accurately summarizes the significant terms of the services requested.