Hood Central Appraisal District

Request for Qualifications (RFQ)

Forensic Auditing Service

District Contact
Jeff Law, Chief Appraiser
jefflaw@hoodcad.net

Meg Boomer, Office Manager
megboomer@hoodcad.net

Physical Address
1902 W. Pearl St
Granbury, TX 76048

Mailing Address
P.O. Box 819
Granbury, TX 76048-0819

RFQ for Auditing Services Related to the (2016-2023 Fund Balance)

1. Purpose

The Board of Directors (hereinafter the Board) of the Hood Central Appraisal District (hereinafter Hood CAD or the District) is accepting sealed qualifications from experienced Certified Public Accounting (CPA) auditing firms (hereinafter Firm, Contractor or Proposer) to conduct forensic audit services related to the District's financial records, documents and procedures for the Fiscal Years 2016 to 2023, generally relating to the district's retention and use of fund balance(s). This audit will assess the organization's financial practices during these years to ensure compliance with the Texas Property Tax Code, applicable regulations, identify any discrepancies or irregularities, and provide recommendations for improving fund balance management practices.

Qualified firms or individuals with experience in forensic auditing are encouraged to submit their qualifications. This Request for Qualifications (RFQ) is designed to present interested firms with a description of the District's financial environment, the services we require, and the format for responding to this RFQ. The audit should be performed in accordance with generally accepted auditing standards.

2. Background

The Hood CAD is a political subdivision of the state created in 1979 by the Texas Legislature to perform property tax appraisal service and administer exemptions for the taxing entities of Hood County. The District is governed by a five-member Board of Directors appointed by the participating taxing entities. The District's Chief Appraiser develops an annual budget to meet the financial responsibilities of the District for the ensuing fiscal year with guidance from the Board. The Board reviews, makes amendments, holds public meetings, conducts public hearings concerning the proposed budget and then finally adopts a budget for the District before September 15th of each calendar year. The taxing entities support the District financially by funding the annual budget based on an allocation specified in Section 6.06 of the Texas Property Tax Code. In addition, Section 6.06 provides the taxing entities the option to disapprove the adopted budget if a majority of the taxing entities file resolutions disapproving the budget with the Board within the 30-day requirement.

Section 6.06 of the Texas Property Tax Code contains the budget provisions for appraisal districts and requires the chief appraiser each year to prepare a proposed budget for the appraisal district. The proposed budget shall include "a list showing each proposed position, the proposed salary for the position, all benefits proposed for the position, each proposed capital expenditure and an estimate of the budget that will be allocated to each taxing unit".

The participating taxing units do not have authority to approve the budget, rather the participating taxing units may only disapprove the BOD's approved budget pursuant to Tax Code Section 6.06 (b). If governing bodies of a majority of the taxing units entitled to vote on the appointment of board members adopt resolutions disapproving the budget and file them with the secretary of the BOD within 30 days after the after the budget adoption, the budget does not take effect, and the BOD is required to adopt a new budget within 30 days of the disapproval.

The Board may amend the approved budget at any time. See Tax Code Section 6.06 (c).Tax Property Tax Code Section 6.06 (c) requires the secretary of the Board to deliver a written copy of a proposed budget amendment to the presiding officer of the governing body of each taxing unit participating in the district not later than the 30th day before the date the BOD intends to acts on the budget amendment. The participating taxing units are not required to approve budget amendments. However, pursuant to Texas Property Tax Code Section 6.10 a majority of the taxing units entitled to vote on the appointment of Board members may disapprove a budget amendment if they adopt resolutions to disapprove the budget amendment and such resolutions are filed within 15 days after the date the Board has adopted the budget amendment. In such event the action of the Board and budget amendment is revoked.

Texas Property Tax Code section 6.06(j) provides that if the total amount of the payments made or due to be made by the taxing units participating in an appraisal district exceeds the amount actually spent or obligated to be spent during the fiscal year for which the payments were made, the chief appraiser shall credit the excess amount against each taxing unit's allocated payments for the following year in a proportion to their contribution or refund such funds.

The Texas Property Tax Code does not define the phrase "spent or obligated to be spent". The Texas Attorney General applied the common ordinary meaning to find that such phrase refers to funds that are committed to meet or secure an obligation. See Tex. Atty. Gen. Opinion No. GA-1040 (2014). The Texas Comptroller has construed Tax Code Section 6,06 (j) to grant appraisal districts the authority to obligate unspent funds during a fiscal year when it knows that the payment would not be made in the fiscal year. Thus, if Board votes for the expenditure of budget funds to meet or secure an obligation, such funds are within the scope of the phrase "obligated to be spent". The Texas Attorney General referred to and deferred to the Texas Comptroller guidelines for appraisal district auditors "that where the appraisal district sees it will have unobligated funds left at the end of the budget year, [if] instead of refunding or crediting the funds to the entities, the board votes to move the funds into [its] reserves for replacement account, or disaster fund account, or some similar account, then the funds become obligated ....". The Texas Attorney General held that the appraisal district may instead of refunding or crediting excess funds transfer such funds within the budget and obligate such excess funds for expenditure for future fiscal year.

The District's budget is a financial plan that lists expected incomes and expenditures for its fiscal year. At the conclusion of the District's fiscal year, Section 6.063 of the Tax Code requires the Board to have a Certified Public Accountant prepare an audit related to the

District’s affairs. To date the District has proven to be fiscally responsible and historically has ended the fiscal year with a positive fund balance.

The District has been advised by two different auditing firms that it would be prudent financial management to maintain a reserve fund balance equal to two to three months’ expenditures. During the subject time period the proposer should review the actions of the Board relating to applying (obligating/committing) excess surplus funds in the fund balance for a building reserve fund, and any contracts with architects or other contractors and any related expenditures related to estimating cost and planning for a future building. The Board also obligated excess funds to pay TCDRS (District Retirement System). Please note that pursuant to Texas Property Tax Code Section 6.051, before an appraisal district may purchase, lease or construct an improvement unless 3/4ths of the participating taxing units entitled to vote on the appointment of the members of the board of directors appraisal must approve the proposed project by resolution and timely delivery of such approvals or the proposed project is treated as if it were disapproved. Hood CAD did not submit a proposed building project to the participating taxing units for approval. Funds in an approved appraisal district budget relating to determining the feasibility of such real estate project would not be subject to approval of ¾ of the participating taxing units as set forth in Section 6.051 described above. Reserving funds for the future purchase or construction of a building is different from the Board expending funds for the actual purchase, lease or construction of a building subject to Texas Property Tax Code Section 6.051.

3. Objective

The objective of this RFQ is to identify and select a qualified auditing firm, or professional auditor, to be engaged by an agreement approved by general counsel for Hood CAD to facilitate and report findings related to a forensic audit of the District’s fund balances and procedures for the retention of excess funds or surplus funds (from the end of fiscal year fund balance). The Firm should identify, and report should include not is not to be limited to the following:

- “Any inappropriate budget actions and whether such practices have been corrected” Were there any District funds expended “without taxing entity approval” or contrary to Texas Property Tax Code and other applicable laws”

- If so, “provide recommendations and outline the processes and procedures that should be utilized by the District and taxing entities to prevent future District funds from being expended without taxing entity approval or in compliance with the Texas Property Tax Code and other applicable laws”

- Identify any discrepancies, potential misconduct, or inefficiencies related to fund balance management and the process that was followed or should be followed by the Board to move the excess funds into [its] reserves for replacement account, or disaster fund account, or some similar account instead of refunding or crediting excess funds to the taxing units.

- Ensure that the district's fund balance practices comply with legal and regulatory standards.

- Provide recommendations for improved fund balance management and financial oversight.

- Collaborate with the Board of Directors to address any governance issues, reporting findings directly to the board.

4. Scope of Services

The scope of work for the requested services will be developed and finalized by the Board of Directors and the Contractor after the evaluation of the RFQ, selection of a contractor and during the negotiation process. The final Scope of Work will be included within the contract offered to the selected contractor.

The following is the basis of what the Scope of Work may necessitate:

- A review of certain financial records, meeting minutes, accounts payable for the years 2016 through 2023;

- Evaluating the Hood Central Appraisal District's financial procedures as they relate to the budget and the year end fund balance (excess funds) retention, the obligation and/or commitment of such funds;

- Identification of any discrepancies, improprieties, or inefficiencies related to fund balance management;

- Reviewing end of year fund balance practices and if they comply with legal and regulatory standards, which may include the following:

  - A review of the district's fund balance, examining year-end balance allocations, and management of funds as they may relate to the construction or purchase of new facilities for the District and the funding of TCDR and such review may consider whether fund balances were retained in compliance with policies, legal advice, or financial accounting advice;

- Provide recommendations for improvement if necessary of fund balance management, which may include the following:

- Evaluate processes used from 2016-2023 for retaining, committing or obligating any portion of fund balance(s), and if necessary, make recommendations to improve clarity and compliance; and

- Assess the internal controls and mechanisms in place to manage the fund balance(s), determining if there were adequate safeguards to prevent errors, mismanagement, or fraud.

Collaborate with the Board of Directors to address any governance issues identified and make recommendations for improvement.

If it should become necessary for the District to request the auditor 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. Any such additional work agreed upon between the District and the Contractor shall be performed at the same rates set forth in any proposed cost of services.

5. Contractor Expectations

The Contractor shall provide all goods and labor necessary to perform the service. The Contractor shall employ all required personnel to perform the work in accordance with the requirements set forth by the United States Department of Labor. The Contractor shall also be responsible and liable for the safety, injury and health of its working personnel while its employees are performing service work.

The District is committed to maintaining an alcohol and drug free workplace. Possession, use, or being under the influence of alcohol or controlled substances by Contractor, Contractor's employees, subcontractor(s') while in the performance of the service is prohibited. Violation of this requirement shall constitute grounds for termination of the service.

6. Qualifications and Experience

The Proposer should demonstrate the qualifications of the Firm and of the particular staff to be assigned to this engagement. It shall also specify an audit approach that will meet these RFQ requirements.

The qualifications of the Proposer should include the following: Certified Public Accountant (CPA) designations with experience in financial auditing and/or forensic auditing related to fund balances and financial management of public sector entities.

Demonstrated experience in auditing financial policies and procedures for governmental or public entities, with a focus on fund balance retention, commitments, and/or obligations.
Familiarity with Texas financial laws and/or regulations governing fund balance and financial reporting for public entities.

7. Proposal Schedule

It is the District's intent to comply with the following timeline:

Request for Qualifications Released	November 25, 2024
Deadline for Questions	December 13, 2024
District's Response to Submitted Questions	December 20, 2024
Qualifications to RFQ due by 2:00 p.m.	January 3, 2024

Note: These dates represent a tentative schedule of events. The District reserves the right to modify these dates at any time with appropriate notice to known Proposers.

All questions regarding the RFQ shall be submitted in writing (e-mail or regular mail) by 2:00 p.m. on December 13, 2024, to the above named contact. All questions submitted and the District's response will be provided to the Proposer asking the question in a like manner.

8. Proposal Due Date

Sealed qualifications hand delivered to the District are due no later than 2:00 p.m. on January 3, 2024. Proposals sent by mail must be postmarked January 3, 2024.

Mail sealed qualifications to:

Hood Central Appraisal District
Attn: Administration Department
P.O. Box 819
Granbury, TX 76048-0819

Sealed qualifications can be hand delivered to:

Hood Central Appraisal District
Attn: Administration Department
1902 West Pearl St.
Granbury, TX 76048

- Proposals received after the above time and date will not be considered;
- Sealed proposals shall be clearly marked "Auditing Services";
- Facsimile, or emailed transmitted proposals are not acceptable; and
- Proposals must include one (1) electronic PDF version (flash drive), and two (2) bound copies of the completed proposal, clearly marked as such.

9. Questions and Clarifications

For clarification of specifications, or questions, Proposers may have, they should contact the following:

Jeff Law
Chief Appraiser

817-533-7627
jefflaw@hoodcad.net

10. Submission Requirements

The response to this RFQ shall be prepared simply and economically, providing a straightforward, concise description of the Proposer's capabilities to satisfy the requirements of this RFQ and the Proposer shall provide an affirmative statement that it is independent of the District.

Cover Letter: A cover letter expressing interest in the audit and summarizing relevant experience, particularly with fund balance, management for public entities or similar organizations.

Firm or Professional Profile: The Proposer shall state the size of the firm, the size of the Proposer'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.

Relevant Experience: A detailed summary of relevant financial and forensic audit experience, particularly in reviewing financial policies and fund balance management for public entities or similar organizations.

Resumes of Key Personnel: Resumes of the team members assigned to the audit, including their qualifications, certifications, and experience with fund balance management.

Experience with Boards of Directors: A summary of the respondent's experience collaborating with Boards of Directors, especially when reporting on audit findings or providing recommendations on financial governance.

References: Contact information for at least three professional references from clients who have received similar forensic auditing services, particularly related to fund management.

Other: Any other relevant information the Proposer deems appropriate for the District to consider when evaluating accounting firms for this project.

11. Evaluation Criteria

All proposals received shall be evaluated based on the best value for the District. Best value shall be determined by considering all or part of the criteria listed below, as well as any relevant criteria specifically listed in the solicitation.

- Qualifications;
- Experience including similar or like assignments;

- Reputation of the Proposer and of Proposer’s services;
- The quality of the Proposer’s services;
- The extent to which the goods services meet the District’s needs;

12. Evaluation Process

A committee comprised of the Board and District Administration will review the Proposals and may develop a short list of firms.

Interviews and/or oral presentations may be conducted with any responding firms to discuss their qualifications, resources, and availability to provide the services requested.
The District will not provide compensation or defray any cost incurred by any firm related to the Proposal or this request.

The District reserves the right to request additional information or to meet with representatives from proposing organizations to discuss points in the proposal after submission, any and all of which may be used in forming a recommendation.

The District reserves the right to negotiate with any and all persons or firms. The District also reserves the right to reject any or all proposals, or to accept any proposal deemed most advantageous or of best value, and to revise the process and/or schedule as circumstances require. This RFQ does not obligate the Hood CAD to enter into a contract or agreement with any of the respondents.

13. Negotiation of Qualifications

The District reserves the right to negotiate all elements which comprise the Proposal to ensure that the best possible consideration be afforded to all concerned.

This RFQ is not to be considered as a contract or as a commitment of any kind. If this RFQ results in a contract offer by the District, a specific scope of work, fees, insurance coverage and other contractual matters will be determined during contract negotiations and set forth in an agreement approved by the District legal counsel.