

RIHEAA

REQUEST FOR PROPOSALS – AUDIT SERVICES

The Rhode Island Higher Education Assistance Authority (RIHEAA) is inviting proposals for audit services for the three-year period beginning with the fiscal year ending June 30, 2012. Audits must be performed for RIHEAA and for the Rhode Island Higher Education Savings Trust (RIHEST), the State's IRS Section 529 Qualified Tuition Savings Program. In addition to the Tuition Savings Program, RIHEAA administers the State's Scholarship and Grant Program and its Loan Division functions as a Guarantee Agency in the Federal Family Education Loan Program.

Please note that Governor Chafee's budget proposal for fiscal year 2013 includes an article pertaining to government reorganization which would merge RIHEAA into the Office of Higher Education. If that merger were to take place, it is conceivable that RIHEAA would not require stand-alone audits in fiscal years 2013 and 2014. Prospective audit firms should take into account that the term of services may not be for the three-year period.

The Authority will conduct an information conference on Friday, May 18, 2012 at 3 p.m. at its office at 560 Jefferson Boulevard, Warwick. At that time, prospective bidders may ask questions and review pertinent documents. All interested parties are invited to attend. To obtain copies of audit specifications or to reserve seating at the informational conference, please contact Patia Bertram at 736-1159 by Thursday, May 17.

Sealed proposals should be delivered to RIHEAA at its office at 560 Jefferson Boulevard, Warwick, Rhode Island 02886 by Tuesday, June 5, 2012 at 3 p.m. Proposals will be opened in the Authority's conference room at approximately 3:15 p.m. on that day. Representatives of bidders as well as any interested party may be present at that time.

A review of the proposals will be made by the Authority's management, its Board of Directors and the State's Auditor General. The RIHEAA Board will select the auditor, subject to final approval by the Auditor General and the State's Director of Administration. The firm selected will be required to enter into a written contract with the Authority.

The Authority reserves the right to reject the lowest bidder if it deems that it does not possess the personnel, experience in governmental auditing and other resources to complete the audit in accordance with the audit specifications. The Authority further reserves the right to reject any and all bids.

RIHEAA is an Equal Opportunity / Affirmative Action Employer.

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AUDIT SPECIFICATIONS

Due Dates for Completion of Audit and Delivery of Reports for Inclusion in State's Comprehensive Annual Financial Report (CAFR) and Statewide Single Audit Report.

1. The audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the agency, Director of Administration and State Controller by **September 30** of each year (as required by Section 35-6-37 of the General Laws.) These financial statements will be incorporated into the State's Comprehensive Annual Financial Report. Two copies of all audit reports and communications shall be provided to the State Auditor General.
2. The additional audit reports relating to federal awards and required by OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" shall be submitted no later than **November 30** of each year.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid certification in the State of Rhode Island or from another state having equal professional standards.
2. The senior accountant in charge of the fieldwork shall be a certified public accountant. Please indicate the individual's qualifications as well as the qualifications of other individuals to be involved in this audit.
3. The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
4. The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. The audit organization shall provide a copy of their most recent external quality control review report to the agency engaging the auditor.

Audit Contract

1. Proposals shall specify an audit fee for each year. The audit fee for the financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses.

The proposal shall also specify an hourly rate for all audit work and reporting requirements related to major federal programs due to the variable scope of work in applying the risk-based approach outlined in OMB Circular A-133. Once the scope of testing required for major programs is determined, the auditor and agency will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs.

Audit Standards

1. The audit shall be conducted in accordance with the generally accepted auditing standards established by the American Institute of Certified Public Accountants and in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The single audit for the Loan / Scholarship and Grant Division shall be in accordance with the standards contained in the **amended (July 1996) Single Audit Act of 1984 and the provisions of revised OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.**

Audit Scope

1. The financial statements to be presented, audited and reported upon by the private auditor are the basic financial statements (balance sheets; statements of revenue, expenses and changes in fund balance; statement of changes in net assets; statement of cash flows) of the Rhode Island Higher Education Assistance Authority and the Rhode Island Higher Education Savings Trust.
2. Supplementary financial statements and schedules (schedule of assets, liabilities and fund balances; schedule of revenues, expenses, and changes in fund balances; schedule of changes in net assets; schedule of cash flows) in a format for inclusion in the State of Rhode Island's Comprehensive Annual Financial Report, as described in the section "Audit Reports" below.
3. Management's Discussion and Analysis.
4. Supplementary Schedule of Expenditures of Federal Awards with auditor's opinion thereon (required regardless of whether there are any major programs.)
5. Major Federal Programs:

Identify Type "A" Programs

Type "A" programs (as defined in OMB Circular A-133) will be determined using the State reporting entity's total expenditure of federal awards. Accordingly, an estimate of total federal awards expended by the State of Rhode Island for the fiscal year will be provided by the Office of the Auditor General to the agency under audit and its auditors. Type "A" programs are those federal programs expected to expend federal awards exceeding the larger of \$3 million or three-tenths of one percent (.003) of total federal awards expended by the State of Rhode Island (reporting entity).

Risk Assessment

In accordance with criteria outlined in OMB Circular A-133, perform a risk assessment of Type "A" programs identified above to determine if they can be considered low-risk. Consider all Type "A" programs not qualifying for a low-risk assessment to be major programs and perform required audit procedures as outlined in OMB Circular A-133.

No risk assessment shall be performed for programs which are less than the Type "A" dollar threshold unless specifically requested by the Office of the Auditor General.

Audit Reports

1. Draft copies of all audit report(s) and the management letter shall be submitted to the executive director, the chairman of the board of directors, members of the audit committee of the agency, and the Auditor General prior to the exit conference so that there will be adequate time for review.
2. Reports to be submitted, depending on the scope of the engagement, may include:
 - a. Reports on:
 - (1) basic financial statements as described above in "Audit Scope" and/or combining financial statements, and/or financial statements of separate funds based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards*. Note that separate sets of reports must be prepared for RIHEAA (Loan Division / Scholarship and Grant Program) and for the Tuition Savings Program (RIHEST.)
 - (2) supplementary financial statements, schedules and information.
 - (3) compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
 - b. Reports required under trust agreements, loan agreement, etc.
 - c. Reports and summaries related to federal financial assistance (as appropriate in the circumstances) as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

- d. Other reports requested by the agency and/or the Director of Administration and/or the Auditor General or as required by the applicable section of the general laws.

Note: Auditors should not prepare the Data Collection Form referenced in Circular A-133. The form will be prepared by the Office of the Auditor General for the State reporting entity.

3. A detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of \$200 or greater shall be itemized and a total shown for all expenditures less than \$200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.
4. The RIHEST audit shall include a "Schedule of Costs of Outside Consultants and Independent Contractors."
5. The auditors shall provide a minimum of 25 final copies of all reports and will provide an electronic (PDF) copy of the report as well.

Management Letter

1. The audit shall provide for the submission of a management letter upon completion of the audit to the executive director, and the board of directors, with copies to the Director of Administration and the Auditor General.
2. The management letters should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:
 - a. policies, procedures and practices employed by the agency.
 - b. immaterial weaknesses in internal control that are not "significant deficiencies."
 - c. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
 - d. compliance with state laws pertaining to the agency and with rules and regulations established by the agency.

Coordination Between the Auditor of the Agency and the Auditor General

- 1 The private auditor selected for the agency audit shall cooperate with the Auditor General, as principal auditor, in his coordination of the Single Audit of the State. This will include communications between the Auditor General and the private auditor regarding the determination of major federal financial assistance programs using the risk-based approach prescribed by OMB Circular A-133.
2. Specific inquires and procedures to assure such coordination include:
 - a. a written representation that the private auditor of a component unit is aware that the financial statements he or she is to audit will be incorporated in the financial statements of the state as the reporting entity and that their report thereon will be relied upon and referred to by the Auditor General as well as any other reports required by *Government Auditing Standards* or the Single Audit Act and OMB Circular A-133.
 - b. a written representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants including those in Interpretation 10 of Rule 101 of the AICPA Code of Professionals Ethics and *Government Auditing Standards*.
 - c. a written representation that the private auditor of a component unit meets the continuing educational requirements of *Government Auditing Standards*.
 - d. a written representation that the private auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. He will provide the Auditor General with a copy of his most recent external quality control review report.
 - e. a written representation that the private auditor is familiar with the generally accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and will conduct the audit and will report in accordance with those standards.
 - f. attendance of the Auditor General at entrance, exit and other conferences between the private auditor and the agency.
 - g. submission of all "draft" copies of the audit report(s) and management letter before the exit conference.

- h. prompt notification to the Auditor General and the Director of Administration by the private auditor if he becomes aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.
- i. prompt notification to the Auditor General and the Director of Administration by the private auditor if he encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.

Audit Workpapers

Audit workpapers of the private auditors shall be made available upon request of the director of Administration and/or the Auditor General for their review, at the completion of the agency audit.

State Of Rhode Island Requirements

1. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, we have filed, or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.
2. We certify that no Rhode Island "major state decision-maker", or spouse or dependent child of such person as defined in RIGL §42-6-1 holds either a ten percent or greater equity interest or a five thousand dollar or greater cash interest in the business.

Other

1. The audit proposal should include such other provisions as may be deemed appropriate, e.g.; terms of payment, representations concerning federal nondiscrimination, supplementary services, etc.
2. The audit proposal should include the resumes of the partner and senior manager in charge of the audit. The proposal shall also state the general qualification of the field audit staff.
3. The audit proposal should include a brief history of the firm and its experience in government audits and references.
4. The audit proposal must include a schedule of hourly rates for each category of staff member who will provide services during the audit.
5. The audit proposal must include a signed representation that the fees and expenses shall not exceed the amounts stated in the proposal.
6. The Authority reserves the right to disqualify incomplete proposals.