

Request for Proposals For Auditing Services

INTRODUCTION

Through this Request for Proposals (“RFP”), Rhode Island Housing seeks proposals from qualified professional auditing firms for various annual financial and other compliance reports for the Corporation’s fiscal years ending June 30, 2015, 2016, and 2017.

Rhode Island Housing is a public instrumentality created by the Rhode Island General Assembly. The Corporation is a component unit of the State of Rhode Island and is included in the State’s comprehensive annual financial report.

Included as a fiduciary activity in the Corporation’s financial statements is the Affordability Housing Trust. The Trust is a separate legal entity, private-purpose trust and has been determined to be a component unit of Rhode Island Housing.

INSTRUCTIONS

One original, six (6) copies and an electronic copy of the proposal should be submitted to Rhode Island Housing, 44 Washington Street, Providence, RI 02903-1721, Attn: Ms. Dora M. Garcia, dgarcia@rhodeislandhousing.org. Proposals should be concise and include all attachments and work samples. Proposals should be presented on business letterhead.

Proposals must be postmarked or delivered in person no later than 5:00 p.m. on March 27, 2015.

Respondents are advised that all submissions (including those not selected for engagement) may be made available to the public on request upon completion of the process and award of a contract(s). Accordingly, any information included in the proposal that the respondent believes to be proprietary or confidential should be clearly identified as such.

SCOPE OF WORK

Please see Attachment A.

ITEMS TO BE INCLUDED WITH YOUR PROPOSAL

A. General Firm Information

1. Provide a brief description of your firm, including but not limited to the following:
 - a. Name of the principal(s) of the firm.
 - b. Name, telephone number and email address of a representative of the firm authorized to discuss your proposal.

- c. Address of all offices of the firm.
- d. Number of employees of the firm.

B. Experience and Resources

1. Describe any capacity or experience that your firm possesses that might help the Corporation to operate more effectively and improve its financial condition or enhance its internal controls that could be a by-product of your audit work. Describe any relevant examples of such additional benefit of your audit work provided to another client.
2. Discuss how your firm deals with professional ethics in connection with audit engagements.
3. The highest standards of conduct must apply to Rhode Island Housing especially in regards to the review and selection of the Corporation's Auditors. The public has a right to know that decisions relative to the review and selection of the Corporation's Auditors are not based upon political considerations. Accordingly, Rhode Island Housing insists upon full compliance with Chapter 27 Title 17 of the Rhode Island General Laws, Reporting of Political Contribution by State Vendors.
4. Provide a brief description of your firm including an organizational chart which indicates how many partners and professionals work in your accounting and tax departments.
5. Submit the qualifications of those partners and professionals who will be working on the Rhode Island Housing engagement.
6. Submit the names of three companies or corporations for which these individuals have provided similar services on behalf of your firm. Please provide the name and telephone number of the appropriate person with whom your staff has worked on these engagements.
7. Submit the names of any other public or public purpose corporations for which your firm has provided similar services currently or in the past.
8. Provide a description of the experience your firm has in applying procedures required by the Governmental Accounting Standards Board, in working with entities that use fund accounting formats, and in applying audit standards required by Federal OMB Circular A-133.
9. Identify any conflict of interest that may arise as a result of business activities or ventures by your firm and associates of your firm, employees, or subcontractors as a result of any individual's status as a member of the board of directors of any organization likely to interact with Rhode Island Housing.

10. Identify any material litigation, administrative proceedings or investigations in which your firm is currently involved. Identify any material litigation, administrative proceedings or investigations, to which the firm or any of its principals, partners, associates, subcontractors or support staff was a party, that has been settled within the past two (2) years.
11. Describe how your firm will handle actual and or potential conflicts of interest.

C. Fee Structure

The cost of services is one of the factors that will be considered in awarding this contract. The information requested in this section is required to support the reasonableness of your fees.

1. Please provide a cost proposal for all services as outlined in Schedule A. Please provide a breakdown of costs based on Schedule B attached.
2. Provide an itemized breakdown of billing rates and hourly costs, list of key personnel and their hourly rates, reimbursable expenses, etc. for any services that may be requested in addition to the services previously described.
3. Please provide any other fee information applicable to the engagement that has not been previously covered that you wish to bring to the attention of Rhode Island Housing.

D. Miscellaneous

1. Rhode Island Housing encourages the participation of persons of color, women, persons with disabilities and members of other federally and State-protected classes. Describe your firm's affirmative action program and activities. Include the number and percentage of members of federally and State-protected classes who are either principals or senior managers in your firm, the number and percentage of members of federally and State-protected classes in your firm who will work on Rhode Island Housing's engagement and, if applicable, a copy of your Minority- or Women-Owned Business Enterprise state certification.
2. Discuss any topics not covered in this Request for Proposals that you would like to bring to Rhode Island Housing's attention.

E. Certifications

1. Rhode Island Housing insists upon full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors. This law requires State Vendors entering into contracts to provide services to an agency such as Rhode Island Housing, for the aggregate sum of \$5,000 or more, to file an affidavit with the State Board of Elections concerning reportable political contributions. The affidavit must state whether the State

Vendor (and any related parties as defined in the law) has, within 24 months preceding the date of the contract, contributed an aggregate amount in excess of \$250 within a calendar year to any general officer, any candidate for general office, or any political party.

2. Does any Rhode Island “Major State Decision-maker,” as defined below, or the spouse or dependent child of such person, hold (i) a ten percent or greater equity interest, or (ii) a Five Thousand Dollar or greater cash interest in this business?

For purposes of this question, “Major State Decision-maker” means:

(i) All general officers; and all executive or administrative head or heads of any state executive agency enumerated in § 42-6-1 as well as the executive or administrative head or heads of state quasi-public corporations, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;

(ii) All members of the general assembly and the executive or administrative head or heads of a state legislative agency, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;

(iii) All members of the state judiciary and all state magistrates and the executive or administrative head or heads of a state judicial agency, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel, chief of staff or state court administrator.

If your answer is “Yes,” please identify the Major State Decision-maker, specify the nature of their ownership interest, and provide a copy of the annual financial disclosure required to be filed with the Rhode Island Ethics Commission pursuant to R.I.G.L. §§36-14-16, 17 and 18.

3. Please include a letter from your president, chairman or CEO certifying that (i) no member of your firm has made inquiries or contacts with respect to this Request for Proposals other than in an email or written communication to Dora M. Garcia, dgarcia@rhodeislandhousing.org seeking clarification on the Scope of Work set forth in this proposal, from the date of this RFP through the date of your proposal, (ii) no member of your firm will make any such inquiry or contact until after May 31, 2015, (iii) all information in your proposal is true and correct to the best of her/his knowledge, (iv) no member of your firm gave anything of monetary value or promise of future employment to a Rhode Island Housing employee or Commissioner, or a relative of the same, based on any understanding that such

person's action or judgment will be influenced and (v) your firm is in full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors.

EVALUATION AND SELECTION

A selection committee consisting of Rhode Island Housing employees (the "Committee") will review all proposals. Rhode Island Housing may invite one or more finalists to make presentations.

Rhode Island Housing will consider the following factors in its evaluation of proposals:

- Professional capacity to undertake the scope of work.
- Proposed fee structure.
- Ability to perform within time and budget constraints.
- Evaluation of potential work plans.
- Previous work experience and performance with Rhode Island Housing and/or similar organizations.
- Recommendations by references.
- Firm minority status and affirmative action program or activities.
- Other pertinent information submitted.

Proposals shall be scored using the following scoring weights established by the Director of Administration and the Auditor General of the State of Rhode Island:

Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*)	30
Maximum evaluation points	100

*** Evaluation technique – audit fees**

Audit fee score = (lowest bid/bid for firm being evaluated) X 30 points

Example: Assume 3 bids are received: Firm A - \$40,000; Firm B - \$46,000; Firm C - \$50,000

Each firm's score on the fee category would be determined in accordance with the following formula:

Firm A (the lowest bidder) awarded 30 points	$\$40,000/\$40,000 \times 30 \text{ points} = 30$
Firm B awarded 26 points	$\$40,000/\$46,000 \times 30 \text{ points} = 26$
Firm C awarded 24 points	$\$40,000/\$50,000 \times 30 \text{ points} = 24$

At its sole discretion, Rhode Island Housing may negotiate with one or more firms who have submitted qualifications to submit more detailed proposals on specific projects as they arise.

Rhode Island Housing's selection is subject to approval by the Auditor General and the Director of Administration of the State of Rhode Island.

By this Request for Proposals, Rhode Island Housing has not committed itself to undertake the work set forth. Rhode Island Housing reserves the right to reject any and all proposals, to rebid the original or amended scope of services and to enter into negotiations with one or more respondents. Rhode Island Housing reserves the right to make those decisions after receipt of responses. Rhode Island Housing's decision on these matters is final.

For additional information contact: Dora M. Garcia, dgarcia@rhodeislandhousing.org.

Together with its partners, Rhode Island Housing works to ensure that all people who live and work in Rhode Island can afford a healthy, attractive home that meets their needs. Rhode Island Housing uses all of its resources to provide low-interest loans, grants, education and assistance to help Rhode Islanders find, rent, buy, build and keep a good home. Created by the General Assembly in 1973, Rhode Island Housing is a privately funded public purpose corporation.

Attachment A

Scope of Work

Rhode Island Housing seeks to engage a qualified professional auditing firm for various annual financial and compliance reports for the fiscal years ending June 30, 2015, 2016 and 2017.

Reporting Deadlines

The audit shall be completed and final audit and supplementary reports (inclusive of all audit communications) related to the financial statements shall be delivered to the Corporation, Director of Administration and the 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 Annual Comprehensive Financial Report. Two copies of all audit reports and communications shall be provided to the State Auditor General.

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.

NOTE: The federal government released new federal audit requirements for state and local governments receiving federal funds. The new audit requirements will be effective for audit periods beginning on or after December 26, 2014 (generally fiscal 2016 audits). References to OMB Circular A-133, as included herein, shall be superseded by those new requirements (OMB Guidance 2 CFR – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – Subpart F – Audit Requirements) for audit periods as of the applicable effective date.

Qualifications of Auditor

1. The auditing firm must 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 of the engagement must be a certified public accountant.
3. The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits must meet the continuing educational requirements of Government Auditing Standards issued by the Comptroller General of the United States.
4. The audit organization must 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 must provide a copy of their most recent external quality control review report to the Corporation.

Audit Contract

1. As recommended in the Guidelines for Quasi-Public Entity Audit Bids and Specifications, issued by the Director of Administration and Auditor General, audit firms should not be engaged for a period of more than six consecutive years. Audit firms can submit proposals and will be considered beyond this period provided those firms specifically include within their proposal, the specific safeguards to ensure auditor independence on the engagement due to the length of the auditor involvement (I.e. rotation of audit management or other quality control measures). The engagement of auditors for more than six consecutive years can also be made when deemed appropriate and/or necessary and when approved jointly by the Auditor General and Director of Administration.
2. The audit contract shall be for the fiscal years ended June 30, 2015, 2016, and 2017. The fees and expenses must be listed separately for each year in accordance with Attachment B.
3. The audit fee for the financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses.

The contract 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 determined, the auditor and the Corporation will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs.

4. The corporation periodically issues bonds in order to meet its statutory purpose. Bond underwriters, rating agencies, and credit providers require the inclusion of the corporation's financial statements in the bid offering statement. A separate bid amount should be listed for the cost of providing a consent letter with each offering statement.
5. The auditing firm must provide the Corporation with 40 bound copies of the financial statements as well as electronic copies of all reports.

Audit Standards

1. The audit will be conducted in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants.
2. The audit will be conducted 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 Act of 1984 as amended in July 1996, and the provisions of revised OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Audit Reports and Scope

1. The audit will include all subsidiaries and affiliates of the Corporation and include the following comparative reports:
 - a. Management's Discussion and Analysis
 - b. Combining Statements of Net Position
 - c. Combining Statements of Revenues, Expenses and Changes in Net Position
 - d. Combining Statements of Cash Flows
 - e. Statements of Fiduciary Net Position – Private Purpose Trust Component Unit
 - f. Statements of Changes in Fiduciary Net Position – Private Purpose Trust Component Unit
 - g. Notes to Financial Statements

2. Supplementary schedules as required by the State and in accordance with current Governmental Accounting Standards. These include:
 - a. Required Supplementary Information-Schedule of Funding Progress (Retiree Health Care Benefit Plan)
 - b. Combining Statements of Net Position – Single Family Fund
 - c. Combining Statements of Revenues, Expenses and Changes in Net Position – Single Family Fund
 - d. Combining Statements of Net Position – Multi Family Fund
 - e. Combining Statements of Revenues, Expenses and Changes in Net Position – Multi Family Fund
 - f. Supplementary Information required by the Government National Mortgage Association:
 - i. Schedule of Adjusted Net Worth
 - ii. Schedule of Insurance Requirement
 - iii. Schedule of Capital Requirement
 - iv. Schedule of Liquidated Asset Requirement
 - g. Supplementary schedules required by the State:
 - i. Supplementary Statement of Net Position
 - ii. Supplementary Statement of Activities
 - iii. Supplementary Schedule of Debt Service to Maturity
 - iv. Supplementary Schedule of Changes in Long-Term Debt

3. Supplementary schedule of travel and entertainment expenses. 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 Corporation to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.

4. Reports on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Governmental Auditing Standards.

5. Supplementary Schedule of Expenditures of Federal Awards with auditor's opinion thereon (required regardless of whether there are any major programs.)
6. 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.

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 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 Type "A" dollar threshold unless specifically requested by the Office of the Auditor General.

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

7. Reports and summaries related to federal financial assistance as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
8. Interim quarterly review of unaudited financial statements for the first three quarters of each fiscal year.
9. Representation letters in connection with bond issuance activities.
10. Housing Choice Voucher Program filing via Real Estate Assessment Center.
11. While the Corporation is a tax-exempt governmental entity, there are areas of the Corporation's operations where tax-related advice is needed, e.g. filing of tax information forms for borrowers, certain vendors and affiliates.
12. Report issued related to the Corporation's status as an issuer of Ginnie Mae Mortgage-Backed Securities in accordance with Chapter Six (6) of the HUD audit guide and the Office of the Inspector General.
13. Other reports requested by the Corporation and/or the Director of Administration and/or the Auditor General of as required by the applicable section and the general laws.

A separate management letter will be prepared containing specific recommendations and/or observations beyond those included in the reports described above on such matters as:

- a) policies, procedures and practices employed by the Corporation.
- b) immaterial weaknesses in the internal controls 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 Corporation and with rules and regulation established by the Corporation.

Coordination between the Auditor of the Corporation and the Auditor General

1. The auditor shall cooperate with the Auditor General of the State of Rhode Island, as principal auditor, in this 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 inquiries and procedures to assure coordination with the Auditor General which includes:
 - a. a written representation that the private auditor of a component unit is aware that the financial statements to be audited 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 many 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 Professional 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. A copy of which will be provided to the Auditor General.
 - e. a written representation that the private auditor is familiar with 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. invitations to the Auditor General at entrance, exit and other conferences between the private auditor and the Corporation.
 - 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 they become aware of fraud, abuse, or illegal acts or indications of such acts affecting the Corporation.
- i. prompt notification to the Auditor General and the Director of Administration by the private auditor if they encounter 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 Corporations audit.

Workplan and Timetable

1. Specifically identify the significant steps in your audit plan and your specific time schedule to complete the fiscal year audits.
2. Identify the amount of start-up time that your firm will need in order to have a full understanding of Rhode Island Housing and indicate when your firm would schedule such orientation.

Corporations Rights

The Corporation reserves the right to terminate the contract at its sole discretion if it believes in its judgment that the auditors are not performing the appropriate services or if there is a change in key personnel assigned to the Corporation.

Attachment B

Cost

Provide a separate detailed cost breakdown for each fiscal year for the required services requested in this RFP. This schedule should be prepared using the following format:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Annual Financial Audit (including Management Letter)	\$	\$	\$
Quarterly Reviews (amount for all three reviews)			
Supplemental Reports			
Housing Choice Voucher Program filing via REAC			
Total fixed fee	<u>\$</u>	<u>\$</u>	<u>\$</u>
Single Audit (based on enclosed specifications)			
Hourly rate	\$	\$	\$
Estimated Hours to Complete			
Total estimated fee	<u>\$</u>	<u>\$</u>	<u>\$</u>
Letters to Underwriters (per bond issue)	<u>\$</u>	<u>\$</u>	<u>\$</u>