



# RISLA

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**RHODE ISLAND STUDENT  
LOAN AUTHORITY**

Rhode Island Student Loan Authority  
560 Jefferson Blvd., Suite 200  
Warwick, RI 02886

**Request for Proposal (RFP)**  
**Audit Services**  
**March 23, 2015**

### **A) Introduction**

The Rhode Island Student Loan Authority (Authority) is inviting proposals from qualified professional auditing firms for various annual financial audits for a three-year period beginning with the Authority's fiscal year ending June 30, 2015.

### **B) Due Dates for Completion of Audit and Delivery of Reports**

1. The financial audit shall be completed and final audit reports must be delivered to the Authority, Director of Administration, State Controller and Auditor General by September 30 of each year. Draft copies of the financial audit shall be delivered by September 15 in order to allow sufficient review and revision time. Failure to comply may result in termination of a firm's audit engagement.
2. The additional audit reports relating to federal awards required by OMB circular A-133 "Audits of States, Local Governments, and Non-Profits Organizations" shall be submitted no later than March 31 of each year.
3. The Authority will require additional financial and compliance reports as specified in this RFP.

### **C) Qualifications of Auditor**

1. The Auditing firm shall be a firm of certified public accountants holding a valid license 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.
3. The firm and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet continuing educational requirements of the *Government Auditing Standards* issued by the Comptroller General of the United States.
4. The firm 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 firm shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the Authority, the Auditor General and the Director of Administration.

### **D) Process to Evaluate Audit Proposals**

The audit committee along with the Executive Director, Deputy Director and Controller will evaluate the audit firms submitting proposals. Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum points
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:** Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

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

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking which supports the agency's request for approval of the selected audit firm. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

#### E) Audit Contract

The Audit contract will cover three fiscal years. Each year will be treated as a separate audit. Your response to this RFP shall specify an annual audit fee for each year. The Financial Statement audit and OMB Circular A-133 audit shall be inclusive of all expenses (see page 8).

1. The United States Department of Education (USDOE) requires Federal Title IV program participants to be audited annually for compliance with Family Federal Education Loan Program (FFELP) requirements. The current USDOE Lender Compliance Attestation Engagement Guide (Guide) states that FFELP lenders are exempt from using the Guide if a lender is subject to the requirements of the Single Audit Act and OMB Circular A-133. For the fiscal year ended June 30, 2014, RISLA was subject to OMB Circular A-133. The contract should 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 the Authority will negotiate a not to exceed fee for the portion of the audit related to major federal programs. A copy of RISLA's June 30,

2014 OMB Circular A-133 Auditor's Report can be found on RISLA's website under the "Accountability/Transparency" section ([www.risla.com](http://www.risla.com)).

2. The Authority periodically issues bonds in order to meet its statutory purpose. Bond underwriters, rating agencies, and credit providers require the inclusion of the Authority'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.
3. It is recommended that audit firms not be engaged for a period of more than six consecutive years, however, firms can submit proposals and will be considered beyond this period provided the firm 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 manager 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.

#### **F) Background Information**

The Authority is a public corporation of the State of Rhode Island and Providence Plantations (the "State") created by the Rhode Island Student Loan Authority Act, constituting Chapter 62 of Title 16 of the Rhode Island General Laws, as amended (the "Act"). The Authority was created for the purpose of providing a system of financial assistance for qualified students to enable them to obtain a post-secondary education by attending public or private educational institutions both within and without the State.

As of the date of the issuance of the RFP, RISLA holds approximately \$362,000,000 in FFELP loans. Over 99% of the portfolio is serviced by Nelnet, Inc. and the remaining balance is serviced by Great Lakes Educational Loan Services, Inc. Both of the third party servicers are subject to and file a Compliance Audit (Attestation Engagement) for Lenders and Lender Servicers Participating in Federal Family Education Loan Programs as well as a SOC 1 reports under SSAE No. 16. In addition to the FFELP portfolio, RISLA holds approximately \$387,000,000 in Private Student Loans. These non federal loans are serviced by RISLA using a servicing software platform that is leased from University Accounting Services (UAS). All customer phone support, record updates, forbearance processing, payment processing is performed by RISLA.

**For the purpose of preparing the Auditor's Report as Required by OMB Circular A-133, RISLA is not considered part of the State of Rhode Island's Student Financial Assistance Cluster.** RISLA has not originated FFELP loans since the program was discontinued by the Federal Government in June 2010, but the Authority still holds FFEL loans and receives Interest Benefits from the United State Department of Education (DOE) which are classified as CFDA #84.032.

#### **G) Audit Scope and Standards**

1. The Audit shall be conducted in accordance with 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 shall be conducted in accordance with the provisions of revised OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organization.

2. The basic financial statements to be presented, audited and issued an opinion on by the firm include, the Management Discussion and Analysis (GASB 34), Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows in comparative statement format.
3. The auditor will perform an audit in compliance with OMB Circular A-133 and the United States Department of Education Lender Compliance Attestation Engagement Guide (January 2011) for compliance audits of those participating in the Federal Family Education Loan Program, as applicable.
4. Federal assistance programs include Federal Interest Benefit and Special Allowance received from the Department of Education on eligible loans pursuant to the provisions of Title IV, Part 682, Subpart C. Sections 682.300 and 682.301 of the Federal Family Education Loan Program.
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:

The auditors shall audit major programs as required by OMB Circular A-133 and express and opinion on compliance for each program.

Major programs shall be determined in accordance with guidance provided in OMB Circular A-133.

#### Identify Type "A" Programs

The determination of major awards programs is based upon the overall level of expenditures for all federal programs for the Authority. The threshold for determining Type A programs is defined by those programs expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000.

#### **H) Audit Reports**

1. Draft copies and a pdf file of the draft audit report and management letter shall be submitted to the Executive Director, the Chairman of the Board of Directors, Members of the Audit Committee of the Authority, the Auditor General and the Office of Accounts and Controls - Department of Administration prior to the exit conference so that there will be adequate time for review.
2. The audit report(s) to be submitted to the Executive Director, the Members of the Board of Directors, the Director of Administration and the Auditor General upon completion of the audit are identified in the following paragraph.

3. Financial audit reports to be submitted:

A. Basic Financial Reports and Supplements

- a. Report on the Authority's basic financial statements, i.e., Management Discussion and Analysis (GASB 34), Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement Of Cash Flows based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.
- b. A detailed schedule of travel and entertainment expenses shall be included as supplementary information to 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. The data for this schedule is compiled by the Authority.
- c. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

B. Reports related to federal financial assistance (as appropriate in the Circumstances), as required by the OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. ***References to OMB Circular A-133, as included herein, shall be superseded by new requirements (OMB Guidance 2 CFR part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – Subpart F – Audit Requirements) for audit periods beginning December 26, 2014.***

4. The following additional reports for the Authority's credit providers will be required:

- A. S.E.C. Continuing Disclosure requires the reporting of certain portfolio and financial information as a supplement to the annual financial report. There are currently seven Trust agreements that require the separate reporting listed above. Currently, RISLA prepares and submits this information to audit firm for inclusion in supplementary information. Additional S.E.C. Continuing Disclosure reports may be required in future audit periods.

**I) Management Letter**

1. A management letter upon completion of the audit is to be submitted to the Executive Director, the members of the Board of Directors, with copies to the Director of Administration and the Auditor General.

2. The management letter 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 Authority.
  - b. Immaterial weaknesses in the internal control structure 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 Authority.

**J) Information Required of Proposer**

**Technical Qualifications** - The proposer shall describe the following:

1. Experience with governmental audit engagements and entities similar to the Authority.
2. Firm organization and leadership team and professional staff resources.
3. Engagement staff qualifications and experience.
4. Understanding of work to be performed, including planned audit procedures, process to gain an understanding of internal control sufficient to plan the audit, estimated hours and other pertinent information.
5. Understanding regarding data to be provided and completed by entity that is needed for the audit.

**Representations** - the following representations are required:

1. A written representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants including those in the Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and *Government Auditing Standards*.
2. A written representation that the private auditor of a component unit meets the continuing educational requirements of the *Government Auditing Standards*.
3. A written representation that the 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*. The firm will provide the Auditor General with a copy of their most recent quality control review report and any subsequent reports received during the term of the contract, if awarded.
4. 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.

5. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the auditor has filed, or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.
6. A certification 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.

**K) Coordination Between the Auditor of the Agency and the Auditor General and Department of Administration**

1. The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor become aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.
2. The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.
3. The auditor shall invite the attendance of the Auditor General at entrance, exit and other conferences between the auditor and the Authority.
4. The Auditor shall submit all "Draft" copies of the audit report(s) and management letters before the exit conference.
5. Audit workpapers of the 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.

**L) Audit Proposal - Other**

1. Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee for financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses. Audit proposals that refer to, list separately, or contingently bid so called "first year start up fees" shall be deemed non-responsive and the Auditor's proposal shall be rejected by the Authority. **Audit proposals must be submitted on the attached "Fee Proposal Form"**.

The contract should 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 Authority will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs.

2. The Audit proposal shall contain a bid on the cost of providing a consent letter required by the Authority's bond underwriters for any bond offering by the Authority. At this time, the consent letter must consist of a written statement by the Auditor to Bond Counsel consenting to the publication of the Basic Financial Report in a specific official statement by the Authority.
3. The Audit proposal must include three references.
4. The Audit proposal must include staff hours assigned to the audit.
5. The Audit proposal must include a signed representation that the stated fees and expenses are complete and shall not exceed the amounts stated in the proposal. Any proposals that do not include this statement shall be rejected by the Authority as not responsive to the proposal requirements.
6. The Audit proposal must be complete. The Authority reserves the right to disqualify any or all proposals. The Authority also reserves the right to reject the lowest bidder if the firm does not possess the personnel, experience, and resources, to complete the audit in accordance with the specifications in the RFP.

#### **M) RFP Process**

Eight copies of your proposal should be delivered in a sealed package to RISLA's office by 3:00 PM on Tuesday April 21, 2015. The packages will be opened by the Authority at that time. Representatives of the bidders may attend the opening of the proposals. A bidder's conference call will be held at 2:00 PM Thursday April 2, 2015. The dial in number for that call is 800-704-9804 participant code 726558#.

The Authority reserves the right withdraw this RFP at any time and to reject any and all proposals.

Fax or oral proposals are not acceptable. A firm's failure to submit its proposal prior to the deadline will cause the proposal to be disqualified. Late proposals or amendments will not be opened or accepted for evaluation.

## FEE PROPOSAL FORM

This Fee Proposal Form is submitted as part of the proposal in response to the Request for Proposal (RFP) for RISLA Auditing Services Contract.

The Name of the Offeror firm is: \_\_\_\_\_

**Instructions for Completing Form:**

Please respond to all sections on this form. If the form does not provide enough space to adequately respond to any section, enter "see attached explanation" in the space provided and attach the additional pages of information. Identify the portion of the form you are responding to and attach in the proper order.

A. Audit of Financial Statements Period Ended June 30	Estimated Staff Hours	Firm Fixed Fee
2015		
2016		
2017		

B. A-133 Compliance Audit Period Ended June 30	Estimated Staff Hours	Hourly Fixed Fee	Total Fee
2015			
2016			
2017			

C. Bond Related Consent Letter Per Issuance	Firm Fixed Fee
2015	
2016	
2017	

D. Other Services	Hourly Fixed Fee
Partner	
Audit Manager	
Senior	
Staff	