Solicitation Information
March 13, 2012

LOI #7449554

TITLE: Auditing Services – Higher Education

Submission Deadline: April 11, 2012 @ 2:00 PM (EST)

PRE-BID/ PROPOSAL CONFERENCE: Yes Date: March 21, 2012 Time: 9:00 AM **Mandatory : No** **Location: Department of Administration / Division of Purchases (Bid Room), One Capitol Hill, Providence, RI**

Questions concerning this solicitation may also be e-mailed to the Division of Purchases at gary.mosca2purchasing.ri.gov no later than **3/28/12 at 12:00 Noon (Eastern Time)** Questions should be submitted in *a Microsoft Word attachment*. Please reference the RFP / LOI # on all correspondence. Questions received, if any, will be posted on the Internet as an addendum to this solicitation It is the responsibility of all interested parties to download this information.

SURETY REQUIRED: No
BOND REQUIRED: No

Gary P. Mosca
Buyer

Vendors must register on-line at the State Purchasing Website at www.purchasing.ri.gov.

NOTE TO VENDORS:

Offers received without the entire completed three-page RIVP Generated Bidder Certification Form attached may result in disqualification.

THIS PAGE IS NOT A BIDDER CERTIFICATION FORM

AUDIT OF THE FINANCIAL STATEMENTS OF THE INSTITUTIONS COMPRISING THE SYSTEM OF PUBLIC HIGHER EDUCATION UNDER THE RHODE ISLAND BOARD OF GOVERNORS FOR HIGHER EDUCATION

The Department of Administration / Division of Purchases, on behalf of The Rhode Island Board of Governors for Higher Education ("the Board of Governors"), a public corporation, plans to engage a firm of Certified Public Accountants to audit the financial statements of each of the three institutions in the system of public higher education These are the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI) The public accountants will also perform A-133 Single Audits at each of the three institutions as well as other accounting services as set forth in the body of this document. To this end, the Board of Governors sets forth the following specifications contained herein. This solicitation, and any subsequent award (s) is governed by the State's General Conditions of Purchase (available at www.purchasing.ri.gov)

INSTRUCTIONS AND NOTIFICATIONS TO OFFERORS:

Potential offerors are advised to review all sections of this Request carefully, and to follow instructions completely, as failure to make a complete submission as described elsewhere herein may result in rejection of the proposal

Alternative approaches and/or methodologies to accomplish the desired or intended results of this procurement are solicited However, proposals which depart from or materially alter the terms, requirements, or scope of work defined by this Request will be rejected as being non-responsive

All costs associated with developing or submitting a proposal in response to this Request, or to provide oral or written clarification of its content, shall be borne by the offeror. The State assumes no responsibility for these costs

Proposals are considered to be irrevocable for a period of not less than sixty (60) days following the opening date, and may not be withdrawn, except with the express written permission of the State Purchasing Agent.

All pricing submitted will be considered to be firm and fixed unless otherwise indicated herein

Proposals misdirected to other State locations or which are otherwise not present in the Division of Purchases at the time of opening for any cause will be determined to be late and may not be considered. The "Official" time clock is in the reception area of the Division of Purchases.

In accordance with Title 7, Chapter 1 1 of the General Laws of Rhode Island, no foreign corporation shall have the right to transact business in the state until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040) This will be a requirement only of the successful bidder (s).

Offerors are advised that all materials submitted to the State of Rhode Island for consideration in response to this Request for Proposals will be considered to be public records, as defined in Title 38 Chapter 2 of the Rhode Island General Laws, without exception, and will be released for inspection immediately upon request, once an award has been made

- It is intended that an award pursuant to this Request will be made to a prime contractor, who will assume responsibility for all aspects of the work. Joint venture and cooperative proposals will not be considered, but subcontracts are permitted, provided that their use is clearly indicated in the offeror's proposal, and the subcontractor(s) proposed to be used are identified in the proposal

- The State of Rhode Island has a goal of ten per cent (10%) participation by MBE's in all State procurements. For further information, visit the web site www.rimbe.org To speak with an M.B.E. Officer, call (401) 222-6253.

- Interested parties are instructed to peruse the Division of Purchases web site on a regular basis, as additional information relating to this solicitation may be released in the form of an addendum to this RFP / LOI

Equal Employment Opportunity (RIGL 28-5.1)
§ 28-5.1-1 Declaration of policy. – (a) Equal opportunity and affirmative action toward its achievement is the policy of all units of Rhode Island state government, including all public and quasi-public agencies, commissions, boards and authorities, and in the classified, unclassified, and non-classified services of state employment. This policy applies in all areas where the state dollar is spent, in employment, public service, grants and financial assistance, and in state licensing and regulation. For further information, contact the Rhode Island Equal Employment Opportunity Office, at 222-3090

Reporting Deadlines

1. The basic financial statements, required supplementary information, and State prescribed financial reporting schedules will be completed and the final audit reports (inclusive of all audit communications) will be delivered to the Board of Governors, the institutions of higher education, the State Controller, the Director of Administration, and the Auditor General (2 copies) by September 30th of each year for inclusion in the State's Annual Financial Report. Section 35-6-37 of the R.I. General Laws requires all public agencies to submit their audited annual financial reports to the State Controller no later than 90 days after the close of the State's fiscal year (June 30th). The audited financial statements submitted must be in final form, with signed independent auditors' report. Draft financial statements will not be accepted.

2. Management Letters and the A133 Single Audit Reports will be completed and the final reports (inclusive of all audit communications) will be delivered to the Board of Governors, the institutions of higher education, the State Controller, the Director of Administration, and the Auditor General (2 copies) by November 30th of each year.

3. HUD Audit Reports will be completed and the reports will be delivered to the Board of Governors and the institutions of higher education by September 30th of each year.

4. The NCAA Athletic Report will be completed and delivered to the University of Rhode Island and the Board of Governors by December 31st of each year.

Qualifications of the Auditor

1. The firm selected to conduct the audit will be a firm of certified public accountants holding a valid permit to practice from the State of Rhode Island or from another state having equal professional standards.

2. The senior auditor in charge of the fieldwork at each institution will 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 will meet the continuing educational requirements of the *Government Auditing Standards* issued by the Comptroller General of the United States.

4. The audit organization will 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 will provide a copy of its most recent external quality control review report to the Board of Governors.

6. The audit organization will comply with the auditor independence requirements under *Government Auditing Standards*.

7. The audit organization will possess the personnel, experience and resources necessary to complete the audit in accordance with the audit specifications and within the required deadlines

8. Preference will be given to auditing firms that have substantial experience in the higher education industry, especially experience with large research institutions.

Audit Contract

1. *The audit contract will cover the three fiscal years ending June 30, 2012, 2013, and 2014.*

2. Each bidder will specify the fees and expenses by year, by institution, and by type of audit and service. Fee schedules will also disclose staff hours, rates, and out-of-pocket expenses. The fee for the financial statements and all special reports will be inclusive of all expenses

3. Each bidder will also include a fee quote by staffing level for the hourly rate for additional accounting/auditing services including 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 for major programs is determined, the auditor and the Board of Governors will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs

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 generally accepted auditing standards for financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. The standards contained in the amended (July 1996) Single Audit Act of 1984 and the provisions of revised OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations,* must also be followed.

3. The review of Athletic Department Revenues and Expenditures (University of Rhode Island only) will be conducted in accordance with the Financial Audit Guidelines as established by the National Collegiate Athletic Association and any amendments or revisions thereto. The review will be for the division classification appropriate to the University as established by the NCAA.

Audit Reports and Scope

The following reports, statements and schedules will be reported upon by the auditing firm for each institution for each fiscal year:

1. Basic Financial Statements (Business Type Activities format) as required by the Governmental Accounting Standards Board (GASB), to include a:
   - Statement of Net Assets
   - Statement of Revenues, Expenses, and Changes in Net Assets
   - Statement of Cash Flows using the direct method
   - Audited financial statements for affiliated organizations required to be presented on the Basic Financial Statements by GASB Statement #39- "Determining Whether Certain Organizations Are Component Units".

2. Required Supplementary Information To include:
   - Management's Discussion and Analysis (MD&A)
   - Footnotes and other required supplementary information in accordance with current Governmental Accounting Standards.

3. Other Supplementary Information
   - **State Templates will be completed as supplementary information with your audited financial statements.**
     - **i. Attachment B** Statement of Net Assets
     - **ii. Attachment C** Statement of Revenues, Expenses and Changes in Fund Net Assets. Expenses should be reported using an object classification format (Personal services/Supplies, materials, and services/Depreciation etc).
     - iii. **Attachment D and Attachment E** Debt service to maturity and changes in Long-Term Debt- provide total debt service to maturity (principal and interest for bonds only) as amended by GASB 38.

4. Single Audit, *OMB Circular A-133*

   - The audit report dealing with *OMB Circular A-133* compliance and the Schedule of Federal Financial Assistance will be submitted under separate cover and will include reports (as appropriate in the circumstances) such as:

- Reports and summaries related to Federal Financial Assistance (as appropriate in the circumstances) as required by *OMB Circular A-133, Audits of State and Local Governments and Non-Profit Organizations*

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

- For Major Federal Programs, the auditor will:

  - Identify Type "A" Programs: Identify Type "A" federal programs per OMB guidelines. Currently, Type "A" federal programs are expected to expend federal awards exceeding the larger of $3 0 million or three-tenths of one percent (.003) of total federal awards expended by the State of Rhode Island (reporting entity). 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 Board of Governors and its auditors.

  - Perform a 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 could 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 will be performed for programs that are less than the Type "A" dollar threshold unless specifically requested by the Office of the Auditor General. The auditor shall seek permission from the Auditor General before declaring any Type "A" program to be low risk.

  - Not prepare the Data Collection Form referenced in *OMB Circular A-133* The form will be prepared by the Office of the Auditor General for the State reporting entity

5 NCAA Athletic Revenues and Expenditures (University of Rhode Island only)

- The University of Rhode Island Athletic Department revenues and expenditures will be reviewed in accordance with the Financial Audit Guidelines as established by the National Collegiate Athletic Association and any amendments or revisions thereto. The review will be for the division classification appropriate to the University as established by the NCAA. Procedures related to the review will be mutually agreed upon by the auditors and the University prior to commencing the review.

6. Housing and Urban Development Reports

- The institutions have several bond indentures in connection with facilities and auxiliary enterprises The provisions in the indentures require that various reports be forwarded to the trustee.

All draft copies of the audit report and management letter will be submitted to the individual institution, the Office of Higher Education's (OHE) Associate Commissioner for Finance and Management and the Director of Internal Audit, and the Auditor General prior to the exit conference so that there will be adequate time for review.

Management Letters

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

- Policies, procedures and practices employed by the institutions.
- Immaterial weaknesses in the internal controls that are not "reportable conditions"
- Use of resources to provide a governmental/educational service in a reasonable, judicious, economical, and efficient manner.
- Compliance with state laws pertaining to the institution and with rules and regulations established by the institution and the Board of Governors.

Upon completion of the audit, a management letter will be submitted to each institution and to the Board of Governors, with copies to the OHE Associate Commissioner for Finance and Management and the Director of Internal Audit, the Director of Administration, and the Auditor General

Coordination between the Auditor and the Auditor General, the Board of Governors, and the Director of Administration

1. The private auditor selected for the audit will cooperate with the Auditor General, as principal auditor, in his coordination of the Single Audit of the State, as well as with the Board of Governors and the Director of Administration This cooperation will include communications between the Auditor General and the private auditor regarding the determination of major federal assistance programs, which, under the revised Circular A-133, will be determined using a risk-based approach.

1 Specific inquiries and procedures to assure such coordination include:

- Written representation by the private auditor that the financial statements he/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.

- 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*.

- Written representation that the private auditor meets the continuing educational requirements of *Government Auditing Standards*

- 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*. The auditor will provide the Auditor General with a copy of the most recent external quality control review report.

- 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.

- Joint audit planning and wrap-up meetings (generally three per year) with the controllers of the three institutions and the Board of Governors' representative, the OHE Associate Commissioner for Finance and Management and the Director of Internal Audit, the Auditor General, and the State Controller.

- Invitations to the Auditor General and the OHE Director of Internal Audit for entrance, exit and other significant conferences.

- Submission of <u>all</u> "draft" copies of audit report(s) and management letters before the exit conference

- Prompt notification to the Board of Governors (through its representatives, the Associate Commissioner of Finance and Management or the OHE Director of Internal Audit), 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

- Prompt notification to the Board of Governors (through its representatives, the Associate Commissioner of Finance and Management or the OHE Director of Internal Audit), 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 timely completion of the audit.

<u>Audit Workpapers</u>

The workpapers of the auditors will be made available upon request of the Board of Governors, the Director of Administration, or the Auditor General for review upon the completion of the audit.

Other Provisions

1. Payment. The auditors will be paid for their professional services by the individual institutions upon completion of each fiscal year's audit and acceptance by the Board of Governors. Payment for services will be made in the year services are performed, which may differ from the fiscal year audited. The Commissioner of Higher Education delegates to the individual institutions the right to make partial payments if circumstances warrant

2. Access to records. The auditors will have the full authority of the Board of Governors for Higher Education to gain access to any and all books, records, documents and personnel, etc., which they deem necessary and appropriate to the conduct of the audit. All information gained from such access will be treated as confidential unless other arrangements are approved by the Board of Governors. The successful proponent may be required to sign a confidentiality agreement before commencing the engagement.

3. Required number of reports. The financial statements and schedules of each institution, together with the related audit report, will be bound under a separate cover for each institution and fifty (50) copies will be delivered to the Board of Governors. Up to twenty-five (25) copies of the financial statements and schedules of the individual institution, together with the related audit report, will be delivered to that institution upon demand. Electronic copies of financial statements, schedules, and related reports will be supplied to the respective institution. Electronic copies for the three institutions will be supplied to the Board of Governors.

4. Lowest Bid. The State / Board of Governors reserves the right to reject the lowest bid. It may also reject all bids. In either case, the reason for the action shall be documented.

5. Pre-bid Conference. A pre-bid conference is scheduled, as described on page one of this solicitation, to enable all interested bidders to familiarize themselves with the engagement. A meeting summary will be posted, as an addendum to the solicitation

6. Audit Work Plan. The auditors will submit an audit work plan including the audit approach to be employed, staffing levels, required client prepared information and schedules, and the proposed timing of work at each institution by May 15th of the fiscal year to be audited

7. Professional Staff. Every effort will be made to maintain staff continuity during the course of the contract. The auditors will submit engagement partner, manager, and in-charge resumes each year prior to commencing audit/review work. The Board of Governors reserves the right to approve/reject auditor staffing at this level.

8 Technical Advice. The auditor will keep the Board of Governors and the institutions advised of accounting and auditing developments that may affect them. This advisement may include presentations to the Board of Governors and institution management

9. Termination of Service. *Each party reserves the right to terminate the contract at the conclusion of annual audits and/or reviews upon 60 days notice.* The Board of Governors reserves the right to terminate the contract for cause at any time in accordance with the State of Rhode Island's general conditions of purchase.

Interested public accounting firms should submit Letters of Interest for the application area containing the following information:

- **A description of the audit firm and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, including whether these individuals meet the continuing educational requirements of the *Government Auditing Standards* issued by the Comptroller General of the United States.**

- **Documentation on the firm's internal quality control system in place and participation in an external quality control review program as required by *Government Auditing Standards*.**

- **A copy of the firm's most recent external quality control review report.**

- **An acknowledgement that the firm complies with the auditor independence requirements of the *Government Auditing Standards*.**

- **Documentation indicating that the firm possesses the personnel, experience and resources necessary to complete the audits in accordance with the audit specifications and within the required deadlines.**

- **References from clients demonstrating that the firm has substantial experience in the higher education industry, especially experience with large research institutions.**

- **A cost proposal including a comprehensive price list for all services including fully absorbed hourly billing rates for all members of the proposed audit team.**

Responses **(an original plus five (5) copies)** should be mailed or hand-delivered in a sealed envelope marked **"LOI # 7449554 – Auditing Services"** to:

RI Dept. of Administration
Division of Purchases, 2nd floor
One Capitol Hill
Providence, RI 02908-5855

NOTE: Proposals received after the above-referenced due date and time may not be considered. Proposals misdirected to other State locations or which are otherwise not presented in the Division of Purchases by the scheduled due date and time will be determined to be late and may not be considered. Proposals faxed, or emailed, to the Division of Purchases will not be considered. Once again, the official time clock is located in the reception Area of the Division of Purchases.

Responses must include the following:

1. A completed and signed three-page R.I.V.I.P. generated bidder certification cover form (downloaded from the R.I. Division of Purchases Internet home page at http://www.purchasing.ri.gov); This form should be in every proposal copy submitted to the State.
2. A statement of experience describing the Vendor's background, qualifications, and experience with and for similar projects, and all information described earlier in this solicitation; and
3. A comprehensive price list for services as previously described

4) In addition to the multiple hard copies of proposals required, Respondents are requested to provide their proposal in electronic format (CDRom or Diskette) Microsoft Word / Excel OR PDF format is preferable. Only 1 electronic copy is requested

Evaluation of the responses will be based on evidence of:

1. Competence to perform the desired services by virtue of the experience of the offeror in providing similar services, and the qualifications and experience of the staff who would be assigned to perform the services [40%];
2. Ability to perform the services expeditiously, as reflected by current workload and the availability of an adequate number of personnel [20%];
3. Past performance, as reflected by the evaluation of customers/consumers for whom similar work has been performed, including but not limited to the Courts, other state agencies, and individuals with communication disabilities, with respect to quality of work performed, ability to meet deadlines, and control of costs [25%]; and
4. A cost proposal or fee schedule that supports the services proposed [15%].

The State reserves the right to accept or reject any or all offers, bids, or proposals. The State also reserves the right to make one or more awards as a result of this solicitation, to award on the basis of cost alone, and to act in its best interest.

In accordance with R.I.G.L. 35-7-13 and R.I.G.L. 22-13-6, the Technical Review Sub-Committee will present written findings, including the results of all evaluations, to State Auditor general and the State Director of Administration, for award consideration. When a final decision has been made, the Division of Purchases will post a scoring summary on its website www.purchasing.state.ri.us

PROFESSIONAL LIABILITY COVERAGE

The selected vendor will be required to provide proof of and maintain Professional Liability coverage according to the following:

1. Limits - $1,000,000 per occurrence;
2. coverages issued on a claims made basis should stipulate uninterrupted coverage for the length of the agreement and at least three (3) years thereafter; and
3. self-insured retentions in excess of $10,000 require prior State approval