

**Smith Counties Board of Commissioners**

**REQUEST FOR AUDIT PROPOSALS**

SAMPLE

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## REQUEST FOR AUDIT PROPOSALS

### SECTION I - INFORMATION PROVIDED TO THE BIDDER

#### **A. INTRODUCTION**

Smith Counties Board of Commissioners (SCBC) is accepting proposals from qualified audit and accounting firms to perform an audit of its financial statements for the year ending June 30, 2010. SCBC annually contracts with the Maine County Commissioners Association (MCCA) to provide financial services for its operation. This solicitation package provides prospective contractors with information concerning both SCBC and MCCA and directions for the preparation of proposals.

Please read this document carefully. Your proposal must conform in all respects to the requirements contained herein. The requester is the Smith Counties Board of Commissioners.

Questions regarding this solicitation should be directed to Smith N. Wesson, Executive Director of the Smith Counties Workforce Board (SCWB), and primary liaison for the SCBC. Questions regarding the operation of MCCA should be directed to Jim Comeau, Finance Manager of the Maine County Commissioners Association (MCCA).

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Smithville, Maine 04000  
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Maine County Commissioners Association  
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Augusta, Maine 04330  
Email: [jim@howeandcompany.com](mailto:jim@howeandcompany.com)  
Telephone: (207) 623-4697  
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Field Code Changed

To qualify for consideration, three copies of your proposal must be received at the address shown above by 4:00pm on Wednesday, February 13, 2010. Late proposals will be rejected as not meeting the requirement of this solicitation.

Your proposal will become part of the official contract file. If you are selected as the contractor, any commitments made in the proposal will be part of the contract and will be binding on the contractor.

The issuance of this solicitation in no way commits SCBC or MCCA to pay any cost for the preparation and submission of a proposal.

#### **B. BACKGROUND**

Between July 2000 and June 2001, the State of Maine Department of Labor (DOL) was given the task to reorganize employment and training programs, under federal and state grants related to the Workforce Investment Act of 1998, to delegate most of the primary management functions to county government level.

During the transition to achieve this goal, the Maine County Commissioners Association (MCCA) with commissioners from all sixteen Maine counties, held meetings with DOL representatives. Funding these meetings and the transition to a new infrastructure was a small grant from DOL to MCCA, which is a non-profit association, registered with the Secretary of State.

Commissioners of six southern Maine counties (Smith, Jones, Patton, Greer, Merry, and Old) moved to create a regional board to handle this effort. The commissioners on behalf of their county governments, under the name of Smith Counties Board of Commissioners (SCBC) appointed members to a work force board to provide policy oversight to the six county region, known as the Smith Counties Workforce Board.

The SCBC then contracted the Maine County Commissioners Association (MCCA) to act as its recipient of the grant monies and manage the finances and payroll of the SCWB. In July 2000, effective with the contract, the SCWB was implemented as an independent committee of the MCCA. Finances and assets are accounted for and deposited separately from MCCA's other committees, but under the MCCA's corporate name. Personnel selected and managed by the SCWB are hired under the MCCA's Employer Identification Number, and permanent staff are eligible for participation in MCCA's retirement plan.

To date, all monies received by the SCWB, other than some initial transition loans and grants from the MCCA General Funds, are in the form of cash advances from the Maine Department of Labor. A portion of these funds is used to pay for administrative expenses of the SCWB, while the bulk is advanced further to vendors called "service providers". These service providers co-manage Career-Centers that offer the training services. The SCWB directs the service providers to offer the most effective training and employment intervention for the locale. To identify the work force intervention needs of the region; the SCWB holds larger policy oversight quarterly meetings with the general public.

Multiple contracts are in place between the DOL and SCWB, each with one or more "funding streams" which must be tracked separately. After reserving administrative funds, these contracts are further subcontracted by the SCWB to the service providers. Upon receipt of a contract, the service provider generates a cash advance request to cover a week's operations, called a "draw down" and submits it to SCWB. The SCWB combines these draw down requests, plus administrative funds needed, and presents a summary to DOL. DOL fills these requests the following week with a direct deposit in SCWB's checking account, then SCWB fills each service providers draw down request the next business day.

Monthly or quarterly accrued expenses are reported by the service providers to the SCWB by type and funding stream. SCWB in turn summarizes the expense reports, plus accrued administrative expenses, and presents a quarterly expense report to DOL. At each contract's ending date, or when all funds have been expended for a contract, a "closeout" report is made. As part of the closeout procedure, cash advances and expenses are reconciled.

The Workforce Investment Act of 1998 governs Federal and State contracts administered on behalf of SCBC by SCWB, and the regulations promulgated there under by the U.S. Department of Labor at 20 CFR Parts 652 and Parts 660 through 671 of the Workforce Investment Act Final Regulations.

Although the SCWB's office is located in Smithville, all financial management except for budgeting and contract development is done at MCCA's Augusta office. Accounting, including A/P, A/R, and payroll is done using Intuit QuickBooks in a single file, with funding streams separated by the program's "classes" function. All periodic reports are published in final form to the World Wide Web. The MCCA has a wide variety of software to provide transaction data and summaries in different formats and media.

During the fiscal year July 2000 and June 2001, MCCA had one temporary and two permanent employees, all who worked for SCWB. Because MCCA has no plans to hire personnel for its other committees, all payroll records are kept in the SCWB books. Administrative expenses are similar to a small service business, covering the operations of the Topsham office, travel and meeting expenses, and reimbursement to MCCA for various expenses and fees. Accounting for program operations for this period involved two customers and four service providers, through six funding streams. A single checking account with associated debit cards is used for all cash deposits and withdrawals. Quantities and types of transactions are available on request. Total program funds slightly exceed \$2 million.

### **C. NATURE OF SERVICES REQUIRED**

Each proposal must address itself to the conduct of an examination and an expression of an opinion upon MCCA's financial statements for the year ending June 30, 2001 and, if exercised, for the option years ending June 30, 2002 through 2003. The audit shall be limited to services performed by MCCA on behalf of the SCBC. The Scope of Work is provided herein:

Maine County Commissioners Association, Inc. Scope of Work

#### **Financial Management**

Provide financial management services, including fiscal agent for the Smith Counties Board of Commissioners (SCBC) and the Smith Counties Workforce Board (SCWB), including receiving, accounting for and disbursing Federal Workforce Investment Act and other work force program funds as requested, in accordance with application State and Federal requirements; payroll; accounts receivable; accounts payable; financial record-keeping in accordance with applicable State and Federal requirements; cooperation with State or Federal auditors as required, and financial statements upon request.

#### **Personnel**

The hiring and termination of personnel, and all other aspect of personnel management, shall be the sole responsibility of SCBC, and SCBC shall pay MCCA the full cost associated with employing personnel.

### **Audit Requirements**

To establish uniform requirements for audits, Congress enacted the SAA Amendments of 1996

(PL 104-156). This legislation combined previous audit requirements into a single requirement applicable to all recipients of Federal financial assistance, regardless of the type of organization. The audit requirements contained in OMB Circular A-133 have been codified for DOL programs at 29 CFR Part 99 and require the following:

- Each entity that expends \$300,000 or more of Federal financial assistance in any fiscal year must obtain an independent organization-wide financial and compliance audit (single) of such fiscal year.
- The audits are to be submitted within one month after completion or no later than nine months after the end of the auditee's fiscal year. Audit reports are submitted to the Federal clearinghouse in accordance with 29 CFR 99.320.
- Recipients of Federal financial assistance funds must also ensure that all sub-recipients, including local area grantees, comply with sub-recipient audit requirements, such as having a timely audit in accordance with the requirements of SAA.
- The DOL is responsible for the audit of commercial organizations that function as direct recipients of ETA grants. (29 CFR 96.32] OMB Circular A-133, Section 210(e) states that when a commercial organization is a sub-grantee of another agency funded by Federal funds, then the audit responsibilities must be specified in the agreement and may include "post-award audits". Under WIA, sub-recipient commercial organizations must follow the requirements specified at 20 CFR 667.200(bX2)(ii).

Fieldwork may commence at any time after contract award, anticipated to be on February 25, 2002 with an entrance conference between the SCBC Liaison and the contractor's principals. The contractor must plan the engagement so as to produce a draft audit report delivered to the SCBC Liaison by March 15, 2002. An exit conference will be conducted at the conclusion of the fieldwork, and the contractor will supply SCBC with two copies of its draft report for comment prior to the issuance of the final report. For any findings included in the final report, SCBC's comments on those findings will be summarized in the findings section and included in the report in full as an appendix.

#### **D. REQUIRED REPORTS**

The audit report is to be addressed to the Smith Counties Board of Commissioners of the Smith Counties Workforce Region. The report will at a minimum contain the SAA standards: That is, it will have eight component reports on (1) financial statements, (2) the entity's internal control structure, (3) the entity's compliance with laws and regulations, (4) the Federal Financial Assistance (FFA) statement, (5) internal controls over FFA, (6) FFA general compliance, (7) FFA major compliance, and (8) FFA non-major compliance.

Items 1 through 8 should be bound as part of a single report.

Any report on fraud, abuse or illegal acts or indication of such acts, including all questioned costs found as a result of such acts, should be reported separately and submitted in accordance

with the provisions of the Government Auditing Standards.

Upon review of the draft report, SCBC in consultation with MCCA will provide comments on the findings and recommendations in the report including, if appropriate, a plan for correcting any deficiencies identified. The contractor will include a summary of SCBC's comments, along with the auditor's response, if any, following the statement of each finding. SCBC's comments will be included in full as an appendix to the final report.

Fifteen copies of the final report will be presented to SCBC by March 22, 2002.

#### **E. ASSISTANCE AVAILABLE TO BIDDERS**

All correspondence and other communications with SCBC with regard to this solicitation will be addressed to Michael Bourret at the address and phone number given in Paragraph A, above.

All correspondence and other communications with MCCA with regard to this solicitation will be addressed to Jim Comeau at the address and phone number given in Paragraph A, above.

Prior audits have not been necessary, since MCCA was selected by the Board of County Commissioners to provide fiscal services for the fiscal year beginning July 1, 2000 forward. All financial records and funds have been kept separate from MCCA's other activities from this beginning date. Other activities of the MCCA are subject to their own separate yearly examination.

MCCA will provide the contractor with final, pre-audit financial statements and a complete listing of accounting transactions from which samples may be selected for examination. MCCA's accounting staff will retrieve and re-file requested information. Other relevant documentation will be provided as needed by the audit team. If the contractor contemplates that additional assistance will be required, its needs should be stated in the proposal. Contractors are expected to bear in mind that MCCA's staff is limited, so requests for information should be organized and efficient so as not to adversely impact operations.

#### **F. GRANTEE/SUBGRANTEE (AUDITEE) RESPONSIBILITIES**

Under the SAA amendments, grantees and sub grantees subject to the audit requirements of 29 CFR 99.200 are responsible for a number of activities related to the audit process. They must:

- Identify, in their books of account, all Federal funds received and expended and the Federal program under which they were received.
- Maintain internal control over the Federal funds and assure compliance with applicable laws and regulations (this is also a requirement of both 29 CFR 97.20 and 95.21).
- Comply with laws and regulations related to the Federal programs.
- Prepare financial statements. The requirements for financial statements are found at 29 CER 99.310.
- Ensure that the audits are properly performed and submitted on time and with all the

documents required for submission.

- Follow up and take appropriate corrective action for audit findings.
- This includes preparation of a schedule of prior year findings and a corrective action plan.

Grantees and sub-grantees are responsible for obtaining the services of the independent auditors in accordance with applicable procurement procedures.

Each grantor agency is responsible for ensuring that the requirements of 29 CFR Part 99 are implemented by their sub-recipients and that the audits of sub-recipients are completed and findings resolved within 180 days of receipt of the audit.

The cognizant Federal agency for audit is the U.S. Department of Labor, Office of Inspector General in New York. The cognizant Federal agency for indirect costs is the U.S. Department of Labor, Division of Cost Determination in Philadelphia. The Department of Labor is MCCA's primary funding source for the subject activity.

#### **G. TIME CONSIDERATIONS AND REQUIREMENTS**

A bidder's conference is not planned at this time. Questions may be addressed as specified above either in writing or by telephone. A meeting with either the SCBC Liaison or MCCA staff for question-and-answer purposes may be arranged by calling 207-222-5555. Any substantive information given to one bidder will be sent in writing to all other bidders. Bidders may wish to supply a fax number for the purpose of receiving such information in a timely manner.

Proposals must be received by 4:00pm local time on Wednesday, February 13, 2010.

Selection of a contractor will be made by February 22, 2010

Audit work may commence at any time thereafter.

Final records and financial statements will be ready on March 1, 2010

A draft report should be ready for review by March 15, 2010

The final report must be presented by March 22, 2010

#### **H. CONTRACTUAL ARRANGEMENTS AND INFORMATION**

##### 1. Contractual Arrangements

A contract in the form of an award letter will be issued by SCBC to the successful bidder. The award letter will specify the maximum fee to be paid for performance of the proposed audit as set forth in the successful proposal and will be for the year ending June 30, 2010 only.

**Option to Extend.** Upon successful completion of the contract, SCBC may at its sole discretion exercise the option to retain the audit firm for an additional year at the price stated in the bidder's proposal. SCBC may exercise up to a total of four extensions of one year each. If prior to any year a change in the scope of the work to be performed would result in an increase in the maximum fee proposed for that year, the contractor may propose such a change prior to SCBC's exercise of its option to extend. SCBC may accept the change in whole or in part or may decline to accept the change and place the contract out to bid.

## 2. Contractual Information

**Termination.** SCBC may, by written notice of default to the contractor, terminate the award if the contractor:

    Fails to perform the services within the time specified in this solicitation or in any written extension of time;

    Fails to make progress, so as to endanger performance under the contract; or

    Fails to perform any of the other provisions of the contract.

If SCBC terminates the contract it may acquire, under such terms and in such manner, as it considers appropriate, services similar to those terminated, and the contractor will be liable to SCBC for any excess costs for those services. The contractor will be compensated for the labor hours for the tasks it has completed, subject to documentation acceptable to SCBC, less a penalty of 20% of the total amount paid or payable to the contractor at the time of termination. All work papers and other materials, of whatever kind and in whatever medium or format, the contractor has produced to that point under the contract will be relinquished to SCBC.

The contractor's reimbursement will not be subject to penalty if the failure to perform the contract arises from causes beyond the control and without the fault or negligence of the contractor. The burden of proof will rest with the contractor to show that each instance was beyond its control and did not result from its fault or negligence.

**Assignment.** The contractor may not assign interest or claim regarding this contract, nor may it subcontract or assign the work to be performed under this contract, without the written authorization of SCBC.

**Inspection and Review.** The U.S. Department of Labor, Office of Inspector General, has the right of access to monitor and review all activities under this contract, during the performance of the contract and thereafter. The contractor will make available and permit inspection by the DOL/OIG of all work papers and related documents pertaining to this contract. Records pertinent to the contract must be maintained for three years following acceptance of the audit report by the DOL/OIG.

**Non-discrimination.** The contractor will comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975 and such other Federal and State laws which provide for equal employment opportunity and prohibit discrimination in employment.

## **I. CONSIDERATION AND PAYMENT**

Payment for services under this contract will be rendered within thirty days of the delivery of the final report. Ten percent of the total amount of the contract will be withheld from the payment made to the contractor, pending acceptance of the final report by the U.S. Department of Labor, Office of Inspector General. Should the OIG reject the final report, no additional costs will be paid by SCBC to

the contractor for any subsequent work required of the contractor to present an acceptable report.

A small business concern may request an arrangement for progress payments, based on the completion of significant components of the audit engagement as identified in its cost schedule. A small business concern is one which is independently owned and operated, is not dominant in the field of operation covered by this RFP, and meets the criteria and size standards in 13 CFR 121.

Copies of invoices are to be sent to both offices listed in paragraph A.

#### **J. WORKING PAPERS**

Working papers must be retained by the successful bidder for the greater of three years from the acceptance of the audit report by DOL/OIG or until advised by SCBC, in writing, that all findings in the audit have been resolved with applicable Federal or State funding agencies. Prior approval of SCBC must be obtained before destroying any work papers, and SCBC reserves the right to take custody of work papers, which the contractor no longer wishes to retain, in lieu of granting permission for the contractor to destroy them.

The working papers must be made available for examination at no cost by authorized representatives of DOL/OIG, the General Accounting Office and SCBC. In addition, the successful bidder must make all working papers physically available at the audit site to a successor auditor.

#### **K. RIGHT TO ACCEPT/REJECT**

SCBC reserves the right to reject any and all proposals submitted and/or to negotiate with or request additional information from any or all bidders. Any award will be made to the firm, which, in SCBC's opinion, is best qualified and offers the proposal most advantageous to SCBC.

## **SECTION II - INFORMATION REQUESTED FROM THE BIDDER**

To facilitate proposal evaluation, the bidder is asked to organize its proposal based on the following outline:

### **A. TITLE PAGE**

Show the name of the bidder's firm, local address, telephone number, name of the contact person and date submitted.

### **B. TABLE OF CONTENTS**

Include a clear identification of the proposal material by section and page number.

### **C. LETTER OF TRANSMITTAL**

Limit to one or two pages.

1. Briefly state the bidder's understanding of the work to be done and make a positive commitment to perform the work within the time period.
2. State the all-inclusive fee for which the work will be done, including out-of-pocket costs, for the initial year. (A separate all-inclusive fee will be stated for each option year in the Compensation section of the proposal.)
3. State the names of the persons who will be authorized to make representations for the bidder, their titles, addresses and phone numbers.
4. State that the person signing the letter is authorized to bind the bidder.
5. State that the proposed engagement team will be assigned throughout the engagement and that the prior approval of SCBC will be obtained for any proposed changes in personnel.

### **D. MANDATORY CRITERIA**

1. Affirm that the bidder is properly licensed in the State of Maine for public practice as a Certified Public Accountant, or a Public Accountant licensed on or before December 31, 1970.
2. Affirm that the bidder meets the independence standards of the Government Auditing Standards published by the U.S. General Accounting Office.
3. Affirm that the bidder meets all qualification requirements imposed by State or local law or rules and regulations.

4. Affirm that (a) the bidder's staff does not have a record of substandard work, (b) the firm has not been debarred or suspended, and (c) the firm is not under review for debarment or suspension.

#### **E. BIDDER'S APPROACH TO THE EXAMINATION**

Provide a narrative to demonstrate the bidder's technical understanding of the work to be performed under the contract by describing the scope and objectives of the financial, compliance and internal control aspects of the engagement.

Provide a narrative work plan to accomplish the scope defined in Section I of this solicitation. The work plan should be in sufficient detail to demonstrate the approach to the examination based on the requirements of OMB Circular A-133 and the unique characteristics of MCCA. The narrative should address the bidder's approach to handling major difficulties and identifying any problem areas. Additionally, the work plan should include time estimates by staff level for each significant segment of the work to be assigned. The planned use of specialists should be identified. A timetable should also be provided to demonstrate the firm's ability to meet the requirements set forth in Section I of this RFP.

#### **F. SUMMARY OF THE BIDDER'S QUALIFICATIONS**

1. Describe the firm's recent (within the last two years) auditing experiences of a type similar to that requested by this RFP. For three of the audits listed, give the names and telephone numbers of the responsible client officials and cognizant agency representatives as references.
2. Identify the professional staff that will work on the audit and their assigned local office. Include resumes describing relevant experience and continuing education for each staff person to be assigned to the audit.

If subcontract and/or joint venture arrangements are proposed, discuss them here.

For each professional staff specified in the proposal, provide his or her (a) position in the firm, (b) years of applicable professional experience, (c) professional status (CPA), (d) recent continuing education and (e) number of hours to be devoted to the contract.

Other professional staff may be assigned to the audit engagement only with the written approval of SCBC.

#### **G. PROJECT MANAGEMENT**

Describe the management structure and supervision to be exercised over the work to be performed under the contract, including the proposed system for field audit review and office review of work papers and reports. Identify the personnel that are to provide the management and supervision and the percent of their overall proposed time that is to be spent at the audit site managing and supervising the work.

**H. PROFILE OF THE BIDDER**

1. State whether the firm is local, regional, national or international in nature.
2. State the location of the office from which the work is to be done and number of partners, managers, supervisors, seniors and other professional staff employed at that office.
3. Describe the range of activities performed by the local office, such as auditing, accounting, tax service and management services.
4. State whether the firm is a small business concern and/or owned and controlled by socially and economically disadvantaged individuals and/or owned and controlled by women.
5. State whether the firm has recently undergone a peer review. Enclose a copy of the last report letter.

**I. ADDITIONAL TECHNICAL INFORMATION**

Since the preceding sections should contain only the information that is specifically requested, the bidder may include here any additional information, which it considers pertinent to the proposal.

**J. COMPENSATION**

State here the all-inclusive maximum fee, including out-of-pocket costs, for which the requested work will be done. A cost schedule must be included to justify the all-inclusive maximum fee, and must reflect the number of hours and hourly rate proposed for each staff classification, the total cost for each staff category, and a schedule of travel and other out-of-pocket costs. Present a separate cost schedule for the initial year and each option year, and clearly state the resulting all-inclusive maximum fee for each year.

### SECTION III - EVALUATION AND AWARD

The evaluation of proposals received under this solicitation will be based on the following criteria:

#### A. Mandatory Criteria

Proposals will not be considered for further evaluation unless they meet all of the mandatory criteria specified in Section II.D of the solicitation.

#### B. Technical Criteria

1. Responsiveness in clearly stating an understanding of the work to be performed (25 points)
  - a. Comprehensiveness of the audit work plan (0-15 points)
  - b. Realistic time estimates of each major segment of the work plan and the estimated number of hours for each staff level (0-10 points)
2. Technical experience of the firm (0-20 points)
  - a. Auditing of the type under consideration (0-10 points)
  - b. Auditing similar entities (0-10 points)
3. Qualifications of the staff to be assigned to the audit. Education, including continuing education courses taken in the last three years, position in the firm, and years and types of experience will be considered (0-25 points)
  - a. Qualifications of supervisory personnel and the audit team doing the fieldwork (0-15 points)
  - b. General direction and supervision of the audit team to be exercised by the firm's management (0-10 points)
4. Size and structure of the firm (0-5 points)

#### C. Cost (0-20 points)

Based on the above criteria, each proposal will be independently evaluated by two or more qualified individuals. Points for cost will be determined by assigning 20 points to the lowest responsible cost and proportionately fewer points to proposals with higher costs, based on the percentage by which each proposal's cost exceeds the lowest responsible cost. Proposed costs which are less than the

lowest responsible cost will be awarded no points. The scores of all reviewers will be averaged for each proposal.

Oral interviews may be necessary to clarify aspects of a bidder's proposal, correct apparent misunderstandings of the requirements of the solicitation or obtain additional information. No additional points will result from oral interviews.

While proposal scores will be the most significant factor in the consideration of an award, SCBC reserves the right to make the final decision on a contractor based on SCBC's best interest.

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