

OFFICE OF THE AUDITOR GENERAL

STATE OF MICHIGAN

REQUEST FOR PROPOSAL TO PROVIDE AUDIT SERVICES FOR THE
MICHIGAN ACHIEVING A BETTER LIFE EXPERIENCE (MiABLE) PROGRAM

Part I
General Information

1. **PURPOSE.** This Request for Proposal (RFP) provides certified public accounting firms with information to enable them to prepare and submit a proposal for consideration by the Office of the Auditor General of the State of Michigan. This RFP is for the financial audit of MiABLE for the fiscal years ending September 30, 2018 and September 30, 2017.

The scope of the proposed engagement will include an audit of MiABLE's financial statements, crosswalks, and independent auditor's reports thereon as described in Item 6.

2. **ISSUING OFFICE.** This RFP is issued for the State by the Office of the Auditor General.
3. **DESCRIPTION OF PROGRAM.** MiABLE was established within the Department of Treasury by Section 206.983 of the *Michigan Compiled Laws*. MiABLE is a savings program created to encourage and assist individuals and families in saving funds for the purpose of supporting individuals with disabilities to maintain health, independence and quality of life; and to provide secure funding for qualified disability expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, the Supplemental Security Income (SSI) program, the Medicaid program, the beneficiary's employment and other sources. MiABLE is a private purpose trust fund and is included in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

MiABLE's total assets and net position were \$2.6 million at September 30, 2017.

4. **TIME REQUIREMENTS FOR STARTING THE AUDITS.** The financial audit of MiABLE for the fiscal years ending September 30, 2018 and September 30, 2017 should commence as soon as possible after MiABLE makes its records available.

MiABLE's unaudited financial statements are expected to be substantially complete by November 1, 2018. With the consent of MiABLE, the successful bidder may begin preliminary audit procedures prior to the completion of the unaudited financial statements.

5. **GROUP AUDIT.** The Auditor General is the principal auditor of the *SOMCAFR*. As the principal auditor, the Auditor General intends to rely on your independent auditor's reports on the entity's financial statements, applicable crosswalks, and supplemental information in issuing an independent auditor's report on the *SOMCAFR*.

In conjunction with the financial audit of the *SOMCAFR*, the contractor shall perform a review of subsequent events related to the entity, from the date of your independent auditor's report on the financial statements and applicable crosswalks through a date to be determined in conjunction with the release of the *SOMCAFR*. The contractor will respond to the Auditor General within one week regarding the results of the contractor's subsequent events review, including any matters which would require disclosure in, or modifications to, MiABLE's financial statements or crosswalks.

In addition, the contractor shall provide a representation that they are independent, performs all professional responsibilities with integrity, objectivity, and due professional care in their capacity as auditor of the entity under the requirements of the American Institute of Certified Public Accountants (AICPA), and that the contractor is aware that the Auditor General will be relying on the contractor's independent auditor's reports on the entity's financial statements, applicable crosswalks, and supplementary information.

6. **AUDIT AND REPORTING REQUIREMENTS - FINANCIAL AUDITS.** The successful bidder will be required to conduct the financial audit of MiABLE for the fiscal years ending September 30, 2018 and September 30, 2017 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and shall result in the following:
 - a. An independent auditor's report on MiABLE's basic financial statements, including supplemental information, prepared based upon accounting principles generally accepted in the United States of America.

- b. An independent auditor's report on MiABLE's internal control over financial reporting and on compliance and other matters based on an audit of MiABLE's financial statements performed in accordance with *Government Auditing Standards*.
- c. An independent auditor's report on MiABLE's crosswalks, conforming MiABLE's basic financial statements to the *SOMCAFR* format, prepared based upon accounting principles generally accepted in the United States of America.
- d. A management letter identifying all significant deficiencies and other relevant information about the internal controls and operations of MiABLE.

The financial statement report letters described in "a." and "b." above shall be issued together in one document for MiABLE.

Implementation of changes in accounting principles or their application to entities of the State must be coordinated with the Auditor General and the Office of Financial Management (OFM), State Budget Office. The contractor will be responsible for consultation with MiABLE, the Auditor General, and OFM regarding the implementation of any recently issued or changes to accounting and financial reporting standards.

The contractor shall be subject to the continuing education requirements provided for in *Government Auditing Standards*.

7. **STATE BUDGET OFFICE REQUIREMENTS.** OFM has established the following requirements for audit contractors for the process of including MiABLE's September 30, 2018 financial statements in the *SOMCAFR*:
- a. Request OFM and Auditor General representation at the entrance and exit meetings with MiABLE.
 - b. DTMB Financial Management Guide Part II, Chapter 24, Section 400 requires that separately issued agency level financial statements be consistent in format and major classification amounts with corresponding reporting in the *SOMCAFR*. If MiABLE's financial statements for the fiscal year ending September 30, 2018 do not comply with the Financial Management Guide procedures, it will be necessary for the contractor to audit "crosswalks" prepared by MiABLE and to issue an independent auditor's report thereon in conformance with applicable standards issued by the AICPA.

- c. Review footnote information provided to OFM by MiABLE for inclusion in the *SOMCAFR*.
- d. Verify MiABLE obtained OFM's approval of material accounting changes or major new accounting treatments prior to issuance of the audited financial statements or audited crosswalks.
- e. Provide the Auditor General, MiABLE, and OFM with drafts of the audited financial statements and audited crosswalks **prior** to their issuance.
- f. Provide the Auditor General and MiABLE drafts of the management letter **prior** to its issuance.

OFM will provide MiABLE with the following:

- a. Blank financial statement drafts in *SOMCAFR* format.
- b. Blank footnote drafts related to MiABLE.
- c. A listing of SIGMA account numbers to be reconciled with MiABLE's accounting records.

Any questions regarding *SOMCAFR* reporting requirements should be directed to Mr. Brandon McAndrew, Manager, OFM Accounting Section, at (517) 241-4866.

- 8. TIME REQUIREMENTS FOR SUBMITTING THE REPORTS - FINANCIAL AUDITS.** The preliminary drafts of MiABLE's audited financial statements, with accompanying independent auditor's reports and audited crosswalks, shall be submitted to the Auditor General and MiABLE by November 19, 2018. The final audited financial statements and audited crosswalks, with accompanying independent auditor's reports, must be completed and delivered by December 3, 2018. Preliminary drafts of the management letters for MiABLE shall be submitted by November 28, 2018 with final versions due December 12, 2018.

If requested, the contractor will discuss preliminary drafts with representatives of MiABLE, OFM, and the Auditor General. Any other special reports should follow the same procedure.

- 9. NUMBER OF REPORT COPIES.** For the 2018 and 2017 financial audits of MiABLE, the contractor shall provide the following:

To the Auditor General, OFM, and MiABLE – electronic .PDF files of:

- Draft and final audited financial statements and accompanying independent auditor's reports.
- Draft and final audited crosswalks and accompanying independent auditor's reports.
- Draft and final management letter.

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The independent auditor's reports and management letters for the financial audit of MiABLE are to be addressed jointly to the Auditor General and MiABLE.

10. **AUDIT PROGRAMS.** The contractor may be required to submit audit programs, including sampling plans. The Office of the Auditor General may review the programs for appropriateness.
11. **AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE.** If the requirements of SAS 114 are met through written communication, the contractor shall provide the Office of the Auditor General with a copy of the written communication. If the requirements of SAS 114 are met through verbal communication, a representative of the Office of the Auditor General is to be present at the meeting.
12. **WORKING PAPERS.** Audit working papers, including time records, planning documents, and other documentation (such as the determination of materiality levels and the summary evaluation of errors) must be retained for at least five years from the date of the independent auditor's reports and shall be available for examination by the Office of the Auditor General.
13. **PROGRESS MEETINGS.** Progress meetings shall be held with representatives of MiABLE and the Auditor General as considered necessary.
14. **PROPOSALS TO BE CONSIDERED.** Proposers must submit a complete response to this RFP, utilizing the format in Part II. Proposers must submit an electronic .PDF formatted file and four copies of the proposal to the Office of the Auditor

General. No other distribution of proposals will be made by the proposer. Proposals must be signed by an official authorized to bind the proposer to its provisions and eligible to complete financial audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. For this RFP, the proposal must remain valid for at least 60 days.

15. **MINORITY- AND WOMEN-OWNED AND OPERATED ACCOUNTING FIRMS AND ACCOUNTING FIRMS OWNED BY PERSONS WITH DISABILITIES.** If requested, the contractor shall provide the Auditor General with evidence of participation in the engagement by certified minority- and women-owned and operated accounting firms, and accounting firms owned and operated by persons with disabilities, as set forth in the contractor's proposal.
16. **ORAL PRESENTATION OF PROPOSALS.** Proposers may be required to make an oral presentation of their proposal to representatives of the Office of the Auditor General. These presentations provide an opportunity to clarify the proposal to ensure a thorough, mutual understanding. The Office of the Auditor General will schedule any such presentations.
17. **REJECTION OF AUDIT PROPOSALS.** The Auditor General reserves the right to reject any and all audit proposals received as a result of this RFP or to negotiate separately with any source whatsoever in any manner necessary to serve the best interests of MiABLE. This RFP is made for information and planning purposes only. The Auditor General does not intend to award a contract solely on the basis of any response made to this request, and will not pay for the information solicited or obtained.
18. **RESPONSE DATE.** To be considered, proposals must arrive at the Office of the Auditor General on or before the date specified in the cover letter. Proposers mailing proposals should allow normal mail delivery time.
19. **ACCEPTANCE OF PROPOSAL CONTENT.** The contents of the proposal of the successful bidder may become contractual obligations if a contract ensues. Failure of the successful bidder to accept these obligations may result in cancellation of the award.
20. **TYPE OF CONTRACT.** If a contract is entered into as a result of this RFP, compensation will be provided for actual hours expended on the engagement at approved hourly billing rates, within maximum limits.

21. **AMENDMENT.** The scope of the work to be undertaken pursuant to this RFP and the resulting engagement contract may only be altered by a written amendment signed by the Auditor General, MiABLE, and the successful bidder.
22. **PRIVATE CONTRACTOR RESPONSIBILITIES.** The successful bidder is required to assume responsibility for all services offered in its proposal whether or not it produces them.
23. **APPROVAL OF STAFFING CHANGES.** Any changes in the supervisory team assigned to the engagement shall require the approval of the Auditor General.
24. **CONTRACT PAYMENT SCHEDULE - FINANCIAL AUDITS.** All progress billings and the final billing by the contractor **shall be forwarded directly to MiABLE** for payment, **with a copy to the Auditor General.** The billings and subsequent payments will be made in U.S. dollars.

Payments to the contractor will be made periodically upon approval of such billings by MiABLE. Periodic payments for progress billings shall be 90% of the billing, with the remaining 10% to be paid upon receipt and final acceptance of the independent auditor's reports and management letter by the Auditor General and MET. **The Auditor General will approve the final billing for payment and authorize release of amounts held back from previous billings when all terms of the engagement contract have been met.** Payment of the final billing will also be subject to reporting by the contractor to the Auditor General of the actual audit hours, itemized by level of employee (including partners), and if applicable, payments made by the contractor to subcontractors.

The total amount paid shall be the lesser of actual audit effort at stated billing rates or the total contract amount. **This maximum price will only be exceeded with the written consent of both the Auditor General and MiABLE, in the event that extreme and unanticipated circumstances affect the scope of the engagement.**

25. **CONTRACT ADMINISTRATION FEES.** The Auditor General will bill MiABLE for costs associated with administering this contract. The billing for services will be based upon annualized direct costs, not to exceed 15 percent of the contract price. The billing will be forwarded to MiABLE along with approval of the contractor's final billing for the audit services in the spring of 2019.
26. **INCURRING COSTS.** Neither the State of Michigan nor MiABLE is liable for any cost incurred by the prospective contractors prior to the issuance of a contract.

27. **DISCLOSURE OF PROPOSAL CONTENTS.** After contract award, a summary of total price information for all submissions will be available, upon request, to those proposers responding to this RFP.

28. **CONTRACT RENEWALS.** It is the intent of the Auditor General to continue the contractual relationship with the successful bidder up to an additional five years provided that the contractor performs satisfactorily, the proposed fees remain reasonable in relation to the fees for the fiscal year 2018 audit and the activities of MiABLE, and the contractor maintains its commitment to certified minority- and women-owned and operated accounting firms, and accounting firms owned and operated by persons with disabilities, as set forth in its original proposal.

Part II
Required Information

Proposals must be submitted in the format described in the following outline:

Title Page

Show the RFP subject, the name of the proposer, local address, telephone number, name of the contact person, and the date.

Table of Contents

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

Letter of Transmittal (Limit to one or two pages)

1. Briefly state the proposer's understanding of the work to be done and make a positive commitment to perform the work within the time period specified in Part I.
2. State the names of the persons who will be authorized to make representations for the proposer and their titles, addresses, and telephone numbers.
3. State that the person signing the letter will be authorized to bind the proposer.

Mandatory Criteria

1. Affirm that the proposer is a licensed certified public accountant or holds a temporary permit in the State of Michigan.
2. Affirm that the proposer meets the independence standards of the *Government Auditing Standards* and the American Institute of Certified Public Accountants and that the proposer meets the *Government Auditing Standards* continuing education standards.
3. Affirm that the proposer has no record of substandard work.

Summary of the Proposer's Qualifications (Including any subcontractors)

1. Identify the engagement partner, audit manager, and the supervisor(s) who will work on the audits, including staff from other than the local office. Resumes including relevant experience and continuing education for each supervisory person to be assigned to the audits should be included. The resumes may be included as an appendix. Once a proposal is accepted, the Auditor General must approve any changes in the engagement partner or supervisory personnel.
2. Describe the recent auditing experience of the proposer's engagement office similar to the types of audits requested, and give the names and telephone numbers of client officials responsible for three of the audits listed.
3. Describe the firm's quality control process and the results of any recent participation in peer review processes.
4. Pursuant to Sections 3.96 – 3.107 of the *Government Auditing Standards*, issued by the Comptroller General of the United States, please submit your most recent external peer review report. Section 3.107 provides that, "Auditors who are using another audit organization's work should request a copy of the audit organization's latest peer review report and any other written communication issued, and the audit organization should provide these documents when requested."

Proposer's Approach to the Audit

The proposer's work plans should be comprehensive and describe, in reasonable detail, the proposer's approach to the audit, including any plans unique to the operations of MiABLE. The work plans should also include the estimated time to complete the audit after records are made available and time estimates for each significant segment of the work and the staff level to be assigned. When possible, individual staff members should be named. The planned use of specialists should be specified. Any planned subcontracting with minority- and women-owned and operated accounting firms and accounting firms owned by persons with disabilities should also be specified.

Cost and Price Analysis

The information requested in this section is required to support the reasonableness of the quotation and is for internal State use only. The details of the data will be held in confidence and will not be revealed to or discussed with competitors during the bidding process. However, the bids are subject to the Freedom of Information Act after the contract has been awarded.

1. Costs. Itemize to show the following for each classification of personnel with a different rate per hour:
 - a. The estimated hours on the assignment, by classification of personnel assigned.
 - b. Rate per hour for each classification of personnel.
 - c. The maximum fee to conduct the financial audit. Please list professional fees separately from expenses and state your maximum fee in U.S. currency.

Include only those costs at the rate at which they will actually be charged so that hours can be evaluated without considering rate discounts, free services, etc.

2. Price Bid for Project. The price quoted will be the maximum amount paid. **Please note that this maximum price will only be exceeded with the written consent of both the Auditor General and MiABLE, in the event that extreme and unanticipated circumstances affect the scope of the engagement.**

Additional Information and Comments

Include any other information that is believed to be pertinent in terms of planning the scopes of these audits, but not specifically asked for elsewhere.