



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

REQUEST FOR PROPOSALS (RFP)
"Audit Services"

The Auditor of State will receive proposals for audit services for the Office of Auditor of State, the State Executive Council, the State Appeal Board and the Tobacco Settlement Authority for the years ending June 30, 2018, 2019 and 2020, with the opportunity for the audit services to be extended for up to two additional years. Attached is information on specific requirements, data to be included in the proposal, evaluation criteria and entity profiles.

Sealed proposals (4 copies) will be accepted until **4:00 p.m., Friday, December 22, 2017**, at the Office of Auditor of State, located in Room 111 on the first floor of the State Capitol Building. If mailed, the proposals should be mailed to:

Mary Mosiman, CPA
Auditor of State
State Capitol Building
Des Moines, Iowa 50319-0001

Those submitting sealed proposals should indicate on the outside of the envelope in the lower left-hand corner that it is a "Sealed Proposal for Audit Services."

The contract for services will be awarded by Friday, January 12, 2018.

Further information may be obtained from Andy Nielsen at (515) 281-5834.

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I. SPECIFIC REQUIREMENTS

1. The Office of Auditor of State reserves the right to reject any and all proposals received.
2. Any contract accepted by the Office of Auditor of State is subject to approval by the Executive Council of the State of Iowa and will be effective only when such approval is granted.
3. Only proposals received at the location described and in the time frame given will be considered.
4. Only proposals covering audit services for all four entities will be considered.
5. The original and one copy of the enclosed contract should be completed and manually signed by a partner of the firm submitting the proposal.
6. The audits shall be performed in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
7. The fees quoted in the proposal and included in the contract will be the maximum paid per hour and in total, unless an amendment to the contract is completed and agreed to by both parties.
8. The audit reports shall conform to any sample reports issued by the Office of Auditor of State, existing AICPA Audit Guides and Governmental Accounting Standards Board reporting requirements.
9. The Tobacco Settlement Authority draft report must be available by November 1 and the final report must be delivered by November 15, subsequent to the fiscal year end. For the Office of Auditor of State, the State Executive Council and the State Appeal Board, final reports must be delivered by January 15, subsequent to each fiscal year end.
10. The audit reports shall include management letters, if appropriate, which include recommendations related to the financial statements, internal control, legality of actions and any other matters considered appropriate by the auditor.
11. Bound copies of the audit reports including the management letters will be required to be typed and reproduced by the firm awarded the contract. A PDF file of each report must also be prepared and submitted to the Office of Auditor of State. The number of bound copies required is as follows:
 - Five (5) copies of the Office of Auditor of State report
 - Eight (8) copies of the State Executive Council report
 - Six (6) copies of the State Appeal Board report
 - Four (4) copies of the Tobacco Settlement Authority report
12. A detailed per diem audit statement that identifies the audit hours and cost for each of the audit reports shall be submitted prior to final payment.

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II. DATA TO BE INCLUDED IN PROPOSAL

In order to simplify the review process and to obtain the maximum degree of comparability, the proposals should include the following items and be organized in the manner specified below.

A. Letter of Transmittal

A letter of transmittal briefly outlining the proposer's understanding of the work and general information regarding the firm and individuals to be involved is permitted, but not required. If a transmittal letter is presented, it should clearly set forth the local address of the office that would perform the work, the telephone number and the name of the contact person.

B. Table of Contents

Include a table of contents which identifies the material by section, page number and reference to the following information to be included in the proposal. If a transmittal letter is not included, please state in the table of contents the local address of the office that would perform the work, the telephone number and the name of the contact person.

C. Profile of Firm Processing

1. State whether the firm is a local, national or international firm and a brief description of the size of the firm.
2. State whether the firm is in compliance with the requirements of Chapter 542 of the Code of Iowa in order to engage in the practice of public accounting within Iowa.
3. State whether the firm is independent of the entities to be audited in accordance with Government Auditing Standards.
4. Describe the local office from which the work is to be performed.
 - a. Location of the office.
 - b. Current size of the office.
 - c. Number of professional staff by level, such as partner, manager, supervisor, senior and other professional staff.
 - d. Number of CPA's in the office.
 - e. Other information needed to describe the office which would perform the work.

D. Qualifications

1. Describe the recent local office auditing experience in similar types of audits to which the proposal relates. If appropriate, include regional experience in auditing similar types of entities. If desired, it is permissible to include your five largest clients which are not governmental clients.

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2. Include resumes of all key professional members who will be assigned to the audits. Resumes should be included for all members of the audit team from the audit partner through at least the on-site in-charge auditor. The resumes should include the amount of experience the individual has had in the auditing profession, a summary of similar audits on which the individual has worked, a summary of the continuing professional education the individual has had in governmental accounting and auditing during the last two years and a statement as to whether the individual is independent as defined by Government Auditing Standards.
3. Describe the firm's policy on notification of changes in key personnel.
4. Include a listing of or the number of professionals in the office who are experienced in governmental auditing.
5. Describe the availability of individuals within the firm who are heavily involved in governmental auditing and reporting and with whom the audit team may consult.
6. Briefly describe the firm's system of quality control to ensure the audit is adequately performed and provide a copy of the firm's most recent external quality control review report.

E. Scope of Services and Proposed Project Schedule

1. Briefly describe your understanding of the scope of services to be provided.
2. Indicate a proposed time schedule for completing the work, assuming the contracts will be issued on the date given in the cover letter.
 - a. Include the approximate dates you would perform field work, office review and report preparation (considering the required timing for the Tobacco Settlement Authority.)
 - b. Include the latest delivery date of the final reports.

F. Fees and Compensation

Provide the following information:

1. Estimated total hours.
2. Estimated out-of-pocket expenses.
3. The hourly rate by staff classification.
4. The all-inclusive maximum fee and out-of-pocket expenses, which will not be exceeded.
5. The frequency and timing of the billing process.

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III. EVALUATION CRITERIA

The proposal will be evaluated by the Office of Auditor of State and the evaluation shall be based upon the following two areas:

1. Cost

Overall cost, including out-of-pocket expenses for performance of the audits.

2. Qualifications

- a. Organizational structure and size of the firm.
- b. Organizational structure and size of the office which would perform the work.
- c. Recent experience in similar types of audits.
- d. Qualifications of the audit team and the number of individuals experienced in governmental auditing.
- e. Individuals with whom the audit team may consult.
- f. Understanding of work and timetable to complete the engagements.

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IV. AGENCY OR ENTITY PROFILE

A. Overview

Office of Auditor of State

The Office of Auditor of State includes three divisions. The duties and responsibilities are summarized as follows:

Administration Division: Assists with overall administration of the office, maintains effective intergovernmental, legislative and media communications, and provides office accounting, budgeting, payroll, personnel and other support functions as assigned by the Auditor of State.

Financial Audit Division: Performs financial and financial related audits of State agencies and departments and audits of governmental subdivisions and examinations of cities as detailed in Chapter 11 of the Code of Iowa. It also performs report and working paper reviews of CPA audits and examinations, performs reaudits as necessary, provides technical guidance and assistance to CPA firms, government officials and the public and such other functions as are assigned by the Auditor of State.

Performance Investigation Division: Conducts performance audits of State agencies and the programs they administer to provide an objective, systematic independent assessment of the performance of government organizations, programs, activities, or functions in order to provide information to oversee, initiate corrective action, and evaluate whether agencies and programs have met desired objectives and have been properly managed to operate effectively and efficiently. It also performs special investigations, special studies for the Legislature and performs such other functions as are assigned by the Auditor of State.

The Auditor of State is a constitutional official, elected every four years, who is also a member of the State Executive Council, the State Appeal Board, the Iowa Telecommunications and Technology Commission (ex officio) and the Tobacco Settlement Authority.

State Executive Council

The Executive Council of Iowa (the Council) was organized by the adoption of the Code of Iowa of 1860. The duties of the Council, detailed in Chapter 7D of the Code of Iowa, include: acting upon all State activities and notifying all interested persons of action taken thereon; determining the value at which property may be taken by Iowa corporations and the amount of stock which may be issued on account thereof; approving articles of incorporation and bylaws of building and loan associations and planning liquidation of said associations; approving the acceptance of gifts; authorizing department leases; approving the issuance of patents; authorizing and paying special assessments; authorizing and paying court costs and special attorney fees; authorizing condemnation proceedings, and approving bank depositories of public funds; approving out-of-state travel; canvassing votes cast for State and district officers; and declaring changes in classifications of cities. The Council consists of five members: the Governor, Secretary of State, Auditor of State, Treasurer of State and Secretary of Agriculture. The Council appoints a secretary to carry out the duties of the Council.

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State Appeal Board

The State Appeal Board is an agency of the State having as its purpose the review of objections to public contracts and bonds and to the budgets of counties, school districts, cities, agricultural extension districts, assessors, and county hospitals, and the approval or rejection and payment of claims against the State. The State Appeal Board consists of the Director of the Department of Management, Auditor of State, and Treasurer of State and conducts hearings in the above matters.

Tobacco Settlement Authority

The Tobacco Settlement Authority is a component unit of the State. It was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's Board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.

B. Financial Statements

Prior year financial statements are available on the Office of Auditor of State website.

C. Accounting Policies

The accounting and reporting policies of the **Auditor of State** and the **State Executive Council** conform to U.S. generally accepted accounting principles applicable to state and local governments. Such principles are codified in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board (GASB).

The government-wide financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the "current financial resources measurement focus" and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Office considers revenues to be available if they are collected within 75 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Budgetary control is exercised over the Auditor's general office and the State Executive Council through the budgetary process prescribed in Chapter 8 of the Code of Iowa. Each department of the State prepares estimates of expenditures and income for each fiscal year of the ensuing biennium. These estimates are transmitted to the Director of the Department of Management who prepares and submits a tentative budget to the Governor. After holding public hearings the Governor prepares and transmits the budget to the State Legislature. The

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Legislature appropriates funds to the various departments based on the budget as adjusted through the appropriation process.

Capital assets are recorded at cost or estimated cost at date of acquisition with depreciation recorded in accordance with accounting policies generally followed by governmental agencies.

The **State Appeal Board** uses the cash receipts and disbursements method of accounting. Under this method, revenues are recorded when received in cash and expenditures are recorded when cash disbursements are made.

The State Appeal Board revenues are received on the basis of a standing unlimited appropriation from the State Legislature. Such an appropriation provides for the payment of all expenditures approved by the State Appeal Board.

The **Tobacco Settlement Authority** is accounted for as an enterprise fund, a propriety fund type. It uses the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The primary financial transactions of the Tobacco Settlement Authority relate to the tobacco settlement collections under a Master Settlement Agreement, payment of bond principal and interest and distributions to the State of Iowa.

AGREEMENT BETWEEN
OFFICE OF AUDITOR OF STATE
AND

THIS AGREEMENT made and entered into this _____ day of _____, 2018,
by and between the Auditor of State, hereinafter called "Auditor" and
_____, hereinafter called "CPA".

WHEREAS, the Auditor is required by law to annually make a complete audit of every department of the state; and

WHEREAS, the Auditor wishes to obtain the services of the CPA to perform annual audits of the **Office of Auditor of State, State Executive Council, State Appeal Board**, and the **Tobacco Settlement Authority** for the years ended June 30, 2018, 2019, and 2020; and

WHEREAS, the CPA is equipped and staffed to assist in the above audits; and

WHEREAS, this agreement is in the best interest of the public in fulfilling the requirements of Chapter 11 of the Code of Iowa.

NOW, THEREFORE, BE IT UNDERSTOOD AND AGREED:

1. That the CPA will:
 - A. Provide auditors of various classifications and for the estimated hours as detailed in this agreement.
 - B. Begin work on the audit engagement as specifically agreed upon with the Auditor.
 - C. Perform all work in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
 - D. Provide access to the working papers to the Auditor and/or his designee for the period of five (5) years after issuance of the audit reports.

2. Conditions of Payment:

- A. It is understood that the fees for the services set forth above shall be reimbursed at the following hourly rates:

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$_____
Manager	\$_____
Senior	\$_____
Staff	\$_____

- B. The CPA shall invoice for services detailing the hours by classification for each audit report. Charges for reasonable and necessary expenses shall be shown separately. The total hours for each year are estimated at _____ hours and the out-of-pocket expenses are estimated at \$_____, \$_____, and \$_____, respectively.
- C. Payment shall be made within 30 days of receipt of invoice.
- D. The total reimbursement for each year shall not be for more than \$_____, \$_____, and \$_____, respectively, unless an amendment to this contract is completed and agreed to by the Auditor and the CPA.

3. Termination of Agreement.

- A. The contract may be terminated at any time by mutual agreement of both parties.
- B. The Auditor may terminate this contract without notice if the CPA fails to perform the covenants or agreements contained herein.
- C. The CPA shall be paid for all work satisfactorily performed to the date of termination.

4. The Auditor and the CPA shall have the option to extend this contract for up to two additional years at total reimbursement amounts mutually agreed-to by the Auditor and CPA. Any extension of this contract under this section and the total reimbursement amount for each extension shall be in writing, agreed-to by the Auditor and CPA, and be subject to approval by the State Executive Council.

IN WITNESS THEREOF, the Auditor and CPA have executed this AGREEMENT as of the date indicated below:

CPA

By: _____
Title: _____
Date: _____

AUDITOR OF STATE

By: _____
Title: Auditor of State
Date: _____