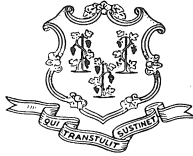


STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

January 20, 2010

Request for Proposal (#10-01) - Quality Control Review

The Auditors of Public Accounts (APA) are soliciting proposals for an external quality control review (QCR) for the calendar year ended December 31, 2009. The review should be conducted during the period of March 31 to June 7, 2010, depending on our mutual convenience.

Scope:

The purpose of the review is to determine that the APA's internal quality control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed in their audit work. If weaknesses and deficiencies are noted, recommendations and suggestions for improvement should be made in the report. In conducting their audits, the APA strives to meet the Government Auditing Standards as described in the 2007 revision of the GAO's "yellow book". One of those standards requires an external quality control review at least once every three years and, in essence, that is the purpose of this request for proposal (RFP). The firm or organization selected would be expected to include in its review:

1. Study and evaluation of the APA's quality control system.
2. Review of an appropriate sample of working paper files and audit reports.
3. Review for completeness, relevancy, usefulness, etc., APA checklists and staff handouts such as:
 - Audit questionnaires
 - Internal control questionnaires
 - Standard audit programs
 - Check lists for managerial review of working papers, report text, and report financial statements
4. Review of APA policies and procedures regarding OMB Circular A-133 audits (the Single Audit Act of the Federal Government.)
5. Prepare a report on the review which would include recommendations and suggestions for improvement, APA responses to any weaknesses or deficiencies noted, and an opinion on the quality control system.

The reviewing firm or organization (the successful bidder) may use its discretion as to what it determines are reasonable and acceptable standards for performing and reporting on quality control

reviews of governmental audit organizations. Certainly appropriate and applicable standards of the AICPA, National State Auditors Association, National Intergovernmental Forum, or the equivalent of such, may be used.

As implied earlier, the scope of the review should cover the professional aspects of the APA's auditing functions. The review should not include a verification of APA compliance with State statutes or an evaluation of the efficiency with which the APA carries out its responsibilities. Also, administrative aspects need not be addressed unless they have a direct relationship to the satisfaction of relevant audit standards and quality control considerations. For example, the reviewer need not concern himself/herself with the adequacy of the salary ranges for the various job titles of the APA's professional staff.

Background and Statistics:

The Office of the APA is a legislative agency of the State of Connecticut whose primary mission is to conduct audits of all State agencies. It has a staff of 113 full-time employees and operations are funded with State General Fund appropriations. Because the costs of all audits are borne by APA appropriations, the agencies audited are not billed for such services. The APA operates primarily under Chapter 23 of the Connecticut General Statutes.

Expenditures of the APA totaled some \$10.9 million during the 2008-2009 fiscal year, the majority of which reflected personal service costs (over 92 percent). Other significant expenditures include mileage reimbursements and continuing education training costs for professional audit staff, leasing costs for copying equipment and computer hardware, and purchases of office supplies. Receipts are customarily quite minimal and usually consist of incidental refunds from vendors or jury fees turned in by APA employees. No Federal funds are received or disbursed by the agency and no grant moneys are received or channeled to subrecipients.

With the general exception of certain personnel records maintained at the APA's State Capitol offices, most of the APA records are kept at the 20 Trinity Street (Hartford) offices. The Agency maintains its accounting records on the State's centralized accounting system. The basic records and files which the reviewers will need (audit reports, working papers, audit time records, audit manuals, etc.) are kept primarily at our 20 Trinity Street offices. Our staff will present and explain our organizational structure, policy and procedure manuals, check lists, etc., to the reviewers, as requested.

Federal funds of the various State agencies (auditees), together with the State's Comprehensive Annual Financial Report, are being audited annually on a Statewide single audit basis. State Agency departmental operations are audited biennially under a limited scope covering each department's compliance with State laws and regulations and the internal control structure established to ensure such compliance.

During 2009 the APA issued 47 audit reports, including the Statewide Single Audit and 46 departmental audit reports. Most of the departmental audit reports covered a two-year audit period. The audited agencies ranged from relatively small, uncomplicated entities with basic cash receipts and disbursements operations to large complex multi-funded agencies with financial statements prepared on accrual or modified accrual basis. A State "Budgetary Basis" report is audited in connection with our annual audit of the State Comptroller, together with basic cash and investment data from our annual audit of the State Treasurer. The Comptroller maintains the records of legislatively budgeted

funds on a modified cash basis and all other funds on a cash basis. The Comptroller prepares the annual CAFR on a GAAP basis which is audited as a part of our Statewide Single Audit.

Each of our departmental audits is conducted and reported on in accordance with generally accepted governmental auditing standards (GAGAS). In addition, each such report contains a "Condition of Records" section, together with appropriate audit recommendations and agency responses to each audit finding. This latter section is equivalent to the "management letter" or "management report" issued by firms in the public accounting sector.

It should be noted that during 2009 the APA also issued 20 special reports disclosing the results of certain agreed-upon procedures applied by our staff in reviewing trust accounts maintained by various State Marshals. The purpose of these reviews was to determine whether the State Marshals are complying with State Marshal Commission policies and procedures regarding the administration of their trust accounts.

During the 2000 calendar year representatives of various Federal audit agencies conducted a quality control review of our Statewide Single Audit for the fiscal year ended June 30, 1999, and accepted that audit report. Since that time the annual Single Audit reports have been accepted by the Department of Health and Human Services, our cognizant agency, on the basis of desk reviews.

In recent years, we have had an average of 100-105 professional audit staff members, making up roughly 26 audit crews. The size of the crews has ranged from one to twelve members. Audit hours assigned have been in the neighborhood of some 165,000 hours per year. Most of the audit time involves financial and compliance auditing. Some of the time also concerns review of so-called "whistle blower" matters which is mandated by our governing laws.

Most of the professional staff hold bachelor degrees with majors in accounting. A significant number also hold graduate degrees. Roughly 35 percent have passed the CPA written examination and completed experience requirements for the certificate. Several also hold CIA certificates. All professional staff are required to complete 80 hours of continuing professional education and training every two years.

The managerial team of the APA consists of the two State Auditors, a deputy, and five administrative auditors. The State Auditors are appointed by the General Assembly for four-year terms, with no limit as to reappointments. They may not be of the same political party.

Time Schedule:

Unless otherwise informed, the APA plan to adhere to the following schedule:

Interested proposer's orientation conference	2/16/2010 9:00 A.M. 20 Trinity Street Offices
Submission of proposals on or before	3/10/2010 2:00 P.M. 20 Trinity Street Offices
Interviews of proposers (if desired by APA)	Week of 3/15/2010
Disclosure of proposer selected	3/23/2010, by letter to each respondent

Estimated start and completion of field work	May start as early as 4/1/2010, but the field work should be completed by 5/28/2010
Date for submission of preliminary report	No later than 6/3/2010
Date for exit conference	No later than 6/9/2010
Date for submission of final report	No later than 6/18/2010
Billing invoice for services rendered	Must be received by 6/18/2010

Eight copies of the preliminary report draft should be submitted for APA review. Twelve copies of the final report are required.

RFP and Other Requirements:

Minimum information to be included in or with the RFP Response:

1. Name of the firm or organization, address, telephone number, name and title of contact person, and date of proposal.
2. Details on estimated costs (number of team members, estimated hours, per diem fees, administrative fees, meals and lodgings, and similar information, as applicable).
3. Maximum cost of the services to be rendered.
4. Brief description of the firm's or organization's understanding of the QCR services and report to be rendered.
5. Profile of the respondent:
Organization, range of activities, and size.
Names and addresses of clients who have had QCR services performed by the respondent in the past year or so.
A copy of the respondent's most recent quality control review report.
6. Affirmation that the respondent does not have a record of substandard QCR work nor was the subject of State debarment action.
7. Affirmation that the respondent meets all specific requirements imposed by State law.
8. Technical experience of the respondent in conducting QCR of the type under consideration in this RFP.
9. Identification and qualifications of the team managers, field supervisors, consultants, and other staff who will work on the review, together with resumes on relevant experience and continuing education of the key personnel.
10. Work plan - Time estimates for each significant segment of the work plan and the staff level to be assigned. Where possible, individual staff members should be named and

their titles provided. Estimated hours of each, hourly rates, etc., should also be provided, as applicable.

11. A statement that the respondent (contractor) shall agree and warrant that in the performance of this contract he/she will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation, or physical disability, including, but not limited to, blindness, unless it is shown by such contractor that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut, and further agrees to provide the Commission on Human Rights and Opportunities with such information requested by the Commission concerning the employment practices and procedures of the contractor as related to the provisions of the section.
12. A statement that the contract is subject to the provisions of Executive Order No. 7C, promulgated July 13, 2006, concerning contracting reforms, Executive Order No. 16, promulgated August 4, 1999, concerning violence in the workplace, Executive Order No. 17, promulgated February 15, 1973, concerning the listing of employment openings, and Executive Order No. 3, promulgated June 16, 1971, concerning labor employment practices, all of which are incorporated into and made part of this contract as if they had been fully set forth in it. (Copies of these Executive Orders can be viewed at http://www.das.state.ct.us/Purchase/Executive_Orders.htm)
13. Affirmation that the respondent has no concerns, reservations, or potential conflict of interest in conducting a QCR of the APA.

The proposal and any accompanying material must be securely sealed in suitable envelope(s). Awarding of the contract is subject to availability of funding and State of Connecticut laws. The successful bidder, upon completion and APA acceptance of the report, must retain the working papers for at least five years beyond the report date and the APA reserve the right to review such working papers. With the exception of the reviewer's employees and those of the APA, others shall not have access to these working papers without the written approval of the APA.

The contract to be awarded by the APA will have a firm and maximum fixed-price. Based on the hourly rates quoted by the respondent, together with other estimated costs, the actual cost of the QCR services sought may in fact turn out to be less than the maximum fixed-price if actual hours worked and other actual expenses are less than those originally estimated and submitted with the RFP response. In such cases, the APA would expect to be billed for less than the stated maximum price, i.e., the actual costs.

The APA reserves the right to review the reviewer's timesheets and other cost records concerning billings to the APA.

Proposal Evaluation:

Proposals will be evaluated by the APA through the use of the enclosed "Proposal Evaluation Criteria". The APA reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Oral interviews may be necessary to break a tie or for making final clarification in the evaluation process.

Any contract awarded will be made to the proposer who, based on evaluation of responses and any oral interviews, is determined by the APA to be the best qualified to do the QCR. It should be understood that while the total score in the evaluation criteria is a significant factor, the APA reserve the right to consider other factors in making the final selection.

All proposals in response to this RFP will become the property of the APA.

Payment for Services:

Payment to the selected firm will be made in one lump sum. The payment will be initiated by an APA payment list submitted to the State Comptroller and State Treasurer upon submission and acceptance of the final report.

APA Contact Person:

If additional information is required, contact:

Stephen R. Eckels, Deputy State Auditor
Auditors of Public Accounts
20 Trinity Street
Hartford, CT 06106
Phone: (860) 240-5301
E-Mail: stephen.eckels@cga.ct.gov

Sincerely,



Kevin P. Johnston
Auditor of Public Accounts



Robert G. Jaekle
Auditor of Public Accounts

Enclosure

Proposal Evaluation Criteria

The evaluation of professional qualifications of the proposers will include the following criteria:

1. Mandatory Criteria:

Proposals will not be considered for further evaluation unless they meet all of the following mandatory criteria:

- a. Must demonstrate in the proposal that the firm (or organization) has had QCR experience with audit organizations involved in audits of state or local governments, or public accounting firms or large internal audit departments.
- b. Must meet independence standards of the GAO *Government Auditing Standards* latest revision, published by the U.S. General Accounting Office.
- c. Must not have a record of substandard work.
- d. Must meet any specific qualification requirements imposed by the State.
- e. Must have an unqualified opinion from its most recent external quality review assessment.

2. Technical Criteria:

Those proposers who have met each of the criteria in item #1 above will be evaluated on criteria which includes the following:

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|--|--------|-------------|
| A. Responsiveness of the proposal in clearly stating an understanding of the work to be performed. | (0-20) | |
| a. Comprehensiveness of the work plan. | | 0-10 |
| b. Realistic time estimates of each major segment of the work plan and the estimated number of hours for each staff level including any consultants assigned. | | 0-10 |
| B. Technical experience of the proposer. | (0-15) | |
| a. QCR of the type under consideration | | 0- 5 |
| b. QCR of similar entities (governmental audit agencies). | | 0- 5 |
| c. QCR of other audit entities (public accounting firms and/or large internal audit units/departments) | | 0- 5 |
| C. Qualifications of staff, including any consultants to be assigned to the review, recent continuing education courses taken, position in the firm or organization, types of experience, etc. This will be determined from the resumes submitted. | (0-10) | |
| a. Qualifications of supervisory personnel, consultants, and of the review team doing the field work. | | 0- 5 |
| b. General direction and supervision to be exercised over the review team by the management personnel. | | 0- 5 |
| D. Size and structure of the firm. | (0-5) | 0- 5 |
| Total Technical Points | | 0-50 |

3. Cost Factors:

(0-50)

To determine point range, the cost of the review will be assessed in accordance with the following formula:

$$\frac{\text{Lowest Total Cost of All Bids}}{\text{Total Cost of Bid for this Proposer}} \times 50$$

Total Cost Points	0-50
Total Technical and Cost Points (Maximum)	100

4. Oral Interviews (if deemed necessary by APA)

Interview points awarded

(0-10)

Total Maximum Points

110