

UTAH LOCAL GOVERNMENTS TRUST

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November 9, 2016

To Whom It May Concern:

The Utah Local Governments Trust is the preferred insurance partner for more than 525 local governments in Utah. The Trust has insuring relationships with 88% of cities and towns, 77% of special districts, and 42% of counties. We are inviting qualified vendors to respond to the attached RFP to provide audit services.

If you have questions regarding this Request for Proposal, please contact Jody Pettet, Accounting Manager, 801-673-4365.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve", written over a light blue horizontal line.

Steven A. Hansen, CEO

Attachment

Utah Local Governments Trust

REQUEST FOR PROPOSAL (RFP)

AUDITING SERVICES

**Proposals Must Be Received
No Later Than
3:00 PM MST, Wednesday, November 30, 2016**

Mail or deliver one copy of your proposal in a sealed envelope to:

Procurement Officer
(Financial Statement Audit Proposal)
55 South Highway 89
North Salt Lake City, Utah 84054

Proposals received after 3:00 PM Mountain Standard Time, Wednesday, November 30, 2016 will be rejected. Any proposal received after that time will be deemed unresponsive and will not be considered for evaluation. Faxed copies will not be accepted.

Information requests regarding this proposal:

Contact: Jody E. Pettet, Accounting Manager
Office: (801) 673-4365
Email: jody@utahtrust.gov

No other Trust employee, Board member, or audit committee member should be contacted concerning this RFP during the selection process. Failure to comply with this requirement may result in disqualification.

A. Purpose of Request For Proposal

The purpose of this RFP is to solicit competitive sealed proposals from CPA firms for the purpose of acquiring financial auditing and related services for the Trust commencing with the year ending December 31, 2016.

The Trust is required by state law to have annual financial and compliance audits by a certified public accountant in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the *State Compliance Audit Guide*. Conceptually, the AICPA audit guide for property and liability insurance entities can be used as reference in auditing the major transaction cycles (premiums, claims, investments) of the Trust.

Audit reports must be issued to the Trust's Board by the second week of March 2017.

B. Trust Information

The Trust provides personal property, workers compensation, and other insurance services designed for about 550 local governments throughout Utah. The Trust's annual operating budget is about \$20 million.

The Trust receives most of its revenue from insurance premiums.

The Trust is a public entity risk pool, subject to various legal and contractual provisions that affect its financial statements. The Trust accounts for its financial activities in an enterprise fund. The principal GASB pronouncements relating to accounting and financial reporting for the Trust are GASB Statement Nos. 10 and 30, as amended, and GASB Interpretation No. 4.

Investments are in the Public Treasurer's Investment Fund and debt securities. The Trust has no debt. Noncurrent liabilities include the Trust's net pension liability related to its participation in the Utah Retirement Systems.

For more detailed information, please see the Trust's 2015 annual financial report on the Office of the Utah State Auditor's webpage.

The Trust uses Caselle financial accounting software.

Jody E. Pettet, Accounting Manager, is available to coordinate with the CPA firm during the audit period.

C. Eligibility Requirements

In order to be eligible to respond to this RFP, the proposer must meet all of the following qualifications:

1. Licensed: The proposing firm is properly licensed for practice as a certified public accounting firm in the state of Utah.
2. Independent: The proposer meets the independence requirements of the American Institute of Certified Public Accountants and current *Government Auditing Standards* published by the US Government Accountability Office.
3. Quality Control: The proposer meets the continuing education and external quality control review requirements contained in current *Government Auditing Standards* published by the US Government Accountability Office.
4. Non-Discrimination: The proposer must comply, at all times during the bidding and contracting period, with all applicable federal, state, and Trust nondiscrimination requirements.
5. Not Barred from Practice: The proposing firm has not been barred from practice for the past three years nor is the proposing firm under investigation for audit failures.

D. Selection Criteria

The following criteria and weighting will be used to evaluate the proposal:

1. 10% Responsiveness: The completeness and conformity of the proposal response to the RFP requirements.
2. 25% Experience: This includes but is not limited to the qualifications and work experience of key personnel assigned to the audit, experience in governmental financial audits, understanding of compliance audits, and familiarity with public entity risk pools.
3. 20% Competency and Capacity: The existence of adequate personnel who can reasonably respond to Trust needs with demonstrated knowledge, skills, and abilities to perform required services competently.
4. 15% Technical: The appropriateness and adequacy of proposed procedures, reasonableness of time estimates and total audit hours, size and structure of the CPA firm, geographic location of key personnel, and appropriateness of assigned staff levels.
5. 30% Fees: The overall cost of the audit and related services over the contract period of five years.

E. Service Period

If the selected CPA firm performs satisfactorily for the December 31, 2016 audit, it is anticipated that the same firm will be engaged to perform the audit for the succeeding four (4) years (for a total of five annual audits) subject to annual evaluation and Board appropriation.

F. Right of Rejection

The Trust reserves the right to reject any and all proposals or to waive any non-statutory informality. The Trust further reserves the right to make the contract award deemed by the Procurement Officer of the Trust to be in the best interest of the Trust. The Board's decision to accept or reject the contract shall be final.

G. Retention of Records

Records, audit documentation, etc. of the Trust's audit must be kept and maintained by the CPA firm for a period of no less than six (6) years from the date of the auditor's report.

H. Addendum to RFP

If it becomes necessary to revise this RFP in whole or in part, an addendum will be provided to all CPA firms on record who received the original RFP.

I. Firm Proposal

Proposals must be signed by an official of the CPA firm authorized to bind the firm and conditions must be firm for a period of sixty (60) days from the date of receipt.

J. State Compliance Audits

In addition to an annual financial statement audit, the Trust will need annual compliance audits as required by the *State Compliance Audit Guide*.

K. Reports

The selected CPA firm will be required to submit the following reports as demonstration of its work under this contract:

1. Independent auditor's report on the basic financial statements and related notes, required supplementary information, supplementary information, and other information for the year ending December 31.
2. Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ending December 31.
3. State compliance report for the year ending December 31.

L. Audit Work Timeline

This RFP is for procuring audit services beginning with the Trust's fiscal year ending December 31, 2016.

All adjusting entries as a result of this audit are to be provided to the Accounting Manager by February 15 of each year.

The audit timeline for the audit team is as follows:

1. Planning. Entrance meeting – December.
2. Tests of major transaction cycles, account balances, and state compliance – January.
3. Final numbers agreed to by Trust and CPA firm – February 15.
4. Provide drafts of the following for management review and response by February 28:
 - a. Financial report and related notes and information.
 - b. State compliance audit report.
 - c. Findings or deficiencies.
5. Final reports to Board – second week of March.

M. Assistance

In addition to the above, it is requested that the CPA firm give assistance to the Trust in the following ways:

1. Keep the Trust abreast of changes in GAAP before those changes are effective so the Trust can make adequate changes and preparations for proper budgeting and reporting. The Trust expects the CPA firm to be proactive in this advisory role.
2. Assist with drafting the Trust's basic financial statements and related notes, required supplementary information, and other information.
3. Give assistance with periodic investigation and answering questions about proper accounting, budgeting, and auditing practices.
4. Serve as a resource for questions relating to various Trust financial operations.

N. Other Items

1. Professional Standards: The CPA firm must perform all audit and accounting work in accordance to professional standards. If the CPA firm's audit work and/or reports are determined to be unacceptable by the Trust or state agencies or other entities and/or persons assigned to oversee the compliance of audit work with appropriate professional standards, the CPA firm may, by written request, be required to re-audit, at its own expense, and submit a revised acceptable audit report.
2. Fraud or Illegal Acts: If, during the course of any audit or accounting procedure for the Trust, the CPA firm uncovers indications of possible fraud or other illegal acts, the CPA firm shall immediately notify the appropriate persons within the Trust and other appropriate state agencies in writing. The CPA firm shall perform sufficient audit procedures to be able to clearly describe and document the situation.
3. Retention and Access to Audit Documentation: The CPA firm shall retain audit documentation and reports for a minimum of six (6) years from the date of the audit reports. Appropriate state agencies and the Trust shall have free and unrestricted access to the audit documentation and reports prepared, or in the process of being prepared, in connection with the audits performed under this proposal. Free and unrestricted access to the right to require submittal of the documentation to the Trust or appropriate state agency shall exist during the contract term and shall continue for six (6) years from the date of submission of the final invoice or until litigation, audit or claim has been fully resolved, if later.
4. Appropriate Confidentiality of Information: The Trust will open all of its legally open records to the selected CPA firm for audit. However, it is expected that the CPA firm will keep findings, questioned costs, management letter comments, and other sensitive comments confined to its official reports. Confidentiality of personal information (e.g. social security numbers, birthdates, personal addresses or phone numbers of employees, etc.) and claims information is expected and required. The Trust views the CPA firm as a partner in its obligation to maintain public trust and fiscal responsibility.

O. Proposal Outline

The audit proposal can best be outlined as follows (limit to 6 pages or less):

SIZE AND STRUCTURE OF FIRM

Please describe the size and structure of your firm. Include any available resources that may be of benefit to the Trust. Also describe the geographic location of key personnel and the responsible office. Describe the competencies and capacities of audit team members in meeting Trust needs.

EXPERIENCE – LOCAL GOVERNMENTAL AUDITS

Please list the institutional experience of your firm with governmental audits and, in particular, public entity risk pools. For reference purposes, list up to five clients with name, location, contact, phone number, and years of service.

KEY PERSONNEL SUMMARY

Please list the key personnel who will be assigned to work directly on the Trust audit. (This list is to include the audit partner, audit manager, supervisors, and other professionals.) Summarize their work experience and qualifications relevant to the auditing of local governmental agencies and their continuing education relevant to accounting, reporting, and auditing for governments and public entity risk pools. Please indicate who will be working on-site and who will be working off-site.

PEER QUALITY REVIEW

Please attach a copy of your most recent peer quality review.

AUDIT WORK PLAN

Submit a general audit work plan to accomplish the scope defined in this RFP. The audit work plan should demonstrate the proposer's understanding of the audit requirements and the audit tests and procedures to be applied in completing the audit plan.

The plan should detail the expected number of audit hours by staff level. The planned use of specialists should also be specified.

List any test work, audit methodologies or staffing you believe is necessary that may not be specifically outlined in this RFP and how your firm structures the audit process of local governments that set you apart as a firm.

FEES

Supply the billing rates, estimated number of billing hours, other billable expenses and a "not-to-exceed" fee for the audit and related services, inclusive of travel, per diem, report preparation, and all other out-of-pocket expenses. As noted in the RFP, it is expected that if the selected CPA firm performs satisfactorily for the December 31, 2016, it will be engaged to perform the audit for the succeeding four (4) years (subject to annual evaluation). Therefore, the not-to-exceed fee information requested above should be provided on an annual basis for five (5) years.