



State of Delaware  
Office of Auditor of Accounts

Request for Proposal

For

**Office of the State Treasurer  
State of Delaware 403(b) Plan**

Professional Services

May 21, 2013

**RFP13-CPA-05**

by

State of Delaware  
Office of Auditor of Accounts  
Townsend Building, Suite 1  
401 Federal Street  
Dover, Delaware 19901

**Deadline to Respond: 3:00 p.m. (EST), June 11, 2013**

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Table of Contents

- I. Introduction
- II. Proposal Process
- III. Term of Engagement
- IV. Nature of Services Required
  - A. Engagement Description and Cycle
  - B. Engagement Standards
  - C. Deliverables
  - D. Retention and Access to Engagement Documentation
- V. Description of the Entity
  - A. Engagement Contact and Location
  - B. Background Information
- VI. Time Requirements
  - A. Proposal Calendar
  - B. Preliminary Engagement Planning
  - C. Entrance Conference
  - D. Progress Reporting and Exit Conference
  - E. Reports
    - 1. Draft Reports
    - 2. Final Reports
- VII. Proposal Content
  - A. Technical Proposal
    - 1. Transmittal Letter
    - 2. Table of Contents
    - 3. Mandatory Criteria
    - 4. Technical Criteria
  - B. Cost Proposal

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

VIII. Evaluation Process

- A. Review of Proposals
- B. Evaluation Criteria
  - 1. Technical Qualifications
  - 2. Cost
- C. Reservation of Rights
- D. Confidentiality of Documents

IX. Contract Conditions

- A. Term
- B. Compensation
- C. Non-Appropriation
- D. Notice of Termination
- E. Formal Contract and Purchase Order
- F. Indemnification
- G. Compliance
- H. Data Usage Agreement
- I. Confidentiality of Information
- J. Use of Work Product
- K. Insurance
- L. Non-Discrimination
- M. Covenant Against Contingent Fees
- N. Contract Documents
- O. Applicable Law
- P. Scope of Agreement

X. Additional Services

XI. Manner of Payment Notice

Appendices

- A. Sample Schedule of Professional Fees and Expenses
- B. Non-Collusion Statement Form
- C. Data Usage Agreement
- D. Frequently Asked Questions

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

I. Introduction

In accordance with 29 Del. C. Chapter 69, Subchapter VI, *Professional Services*, the Office of Auditor of Accounts (AOA) is distributing this Request for Proposal (RFP) to, and requesting proposals from, qualified certified public accounting firms to perform an engagement in accordance with Section IV., for each of the years ended December 31, 2012 and December 31, 2013, with the option to renew for two additional years.

There is no expressed or implied obligation for AOA to reimburse firms for any costs or expenses incurred in preparing proposals in response to this request. AOA will **not** pay any costs or expenses incurred by any firm associated with any aspect of responding to this RFP, including proposal preparation, printing, delivery, or the negotiation process. Additionally, no indirect reimbursements (e.g., in the form of credits or reductions to any agreed upon compensation) will be made to any responding firm by AOA for any such costs or expenses.

Public notice has been provided in accordance with 29 Del. C. § 6981.

II. Proposal Process

All inquiries concerning this RFP must be submitted in writing and must be received by 4:00 p.m. EST on May 28, 2013 via e-mail directly to [AOACContracting@state.de.us](mailto:AOACContracting@state.de.us), and clearly mark the RFP number in the subject line.

**Direct contact with the State of Delaware or AOA employees** other than the above-referenced contacts **regarding this RFP is expressly prohibited without prior consent.** Firms contacting the State of Delaware or AOA employees risk elimination of their proposal from further consideration.

To be considered, the *technical* proposal and the *cost* proposal **must be submitted in two separate emails with “Technical Proposal” and “Cost Proposal” clearly marked in the subject line** to [AOACContracting@state.de.us](mailto:AOACContracting@state.de.us) or before 3:00 p.m. on June 11, 2013.

AOA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. AOA reserves the right without prejudice to reject any or all proposals.

By submitting a bid, each proposer must be deemed to acknowledge that it has carefully read all sections of this RFP, including all forms, schedules and exhibits hereto, and has fully informed itself as to all existing conditions and limitations.

Once the selection of a firm is completed, all proposers will be notified and the executed contract will be completed reasonably thereafter.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

III. Term of Engagement

The contract period is for two years, with the option to renew the contract at AOA's request for two additional years subject to the satisfactory negotiation of terms (including a cost acceptable to both AOA and the selected firm) and the annual availability of an appropriation by the Legislature.

IV. Nature of Services Required

A. Engagement Description and Cycle

The proposer shall conduct a financial statement audit of the State of Delaware (the State) 403(b) Plan (the Plan). The Plan's fiscal year begins on January 1 and ends on December 31.

B. Engagement Standards

To meet the requirements of this RFP, the engagement must be performed in accordance with standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office's *Government Auditing Standards*.

C. Deliverables

A detailed engagement plan and programs **must** be submitted to the AOA Liaison for review and approval before work can start.

The firm **must** perform an assessment that the financial statement compilation was completed in accordance with appropriate accounting standards.

The firm agrees it will not prepare the financial statements, note disclosures, or management discussion and analysis (MD&A). The firm should notify AOA immediately of any request to perform such services.

Following the completion of the engagement, the firm must issue a written report in accordance with standards discussed above. AOA will distribute copies of the reports to the appropriate officials.

In the report, all findings must be reported unless they are clearly inconsequential, considering both qualitative and quantitative factors. Inconsequential findings must be presented in writing to AOA for review and approval prior to communicating them to the engagement entity. Once approved, the findings must be presented either verbally or in a separate, written document, depending on their significance. Evidence of the communication must be in the engagement documentation.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Irregularities and illegal acts: All situations or transactions that come to the firm's attention that could be indicative of fraud, abuse, illegal acts, material errors, defalcations, or other irregularities must be promptly reported to AOA. AOA will determine the appropriate course of action.

D. Retention and Access to Engagement Documentation

All engagement documentation and reports must be retained, at the firm's expense, for a minimum of three years, unless the firm is notified in writing by AOA of the need to extend the retention period. The firm is required to make engagement documentation available, upon request, to the AOA or its designees.

In addition, the firm must respond to the reasonable inquiries of successor firms and allow the firms to review engagement documentation relating to matters of continuing engagement significance.

V. Description of the Entity

A. Engagement Contact and Location

The engagement entity's principal engagement contact will be Dan Kimmel, Financial Investment Program Specialist, or a designated representative, who will coordinate the assistance to the firm. The location of the audits will be at the Office of the State Treasurer's office, located at 820 Silver Lake Boulevard, Suite 100, Dover, DE 19904.

B. Background Information

The Plan is a defined contribution plan and was established in the 1970s. It was administered at a local level until June 30, 2007, when plan administration became the responsibility of the Delaware State Treasurer and the Deferred Compensation Council. The purpose of the Plan is to provide a vehicle through which all education employees of the State may, on a voluntary basis, provide for additional retirement income security by deferring a portion of their current earnings. More information about the Plan can be found at <http://treasury.delaware.gov/defined-contributions/>.

*Contributions*

Under Plan provisions, employees of the State, the Delaware Department of Education and State of Delaware sponsored education organizations are eligible to contribute into the Plan through payroll deductions. There were 19,926 and 19,573 employees eligible to participate in the plan as of December 31, 2011 and 2010, respectively. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contribution to 100% of annual

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

gross includable compensation, not to exceed \$16,500 for calendar year 2011 and \$17,000 for calendar year 2012. Special “catch-up” rules may permit an additional annual deferral up to \$5,500 for calendar years 2011 and 2012 in certain circumstances.

Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State does not make any contributions to the Plan.

Contributions are recognized when amounts are withheld from employees.

Contributions are credited by the applicable investment carrier upon receipt.

*Participant Accounts*

Employees electing to participate in the Plan may contribute to any of the following options:

- Various fixed earnings investments
- Variable earnings investments consisting of various publicly-traded mutual funds
- Annuity payout options administered by AXA, VALIC, Horace Mann, Great American and Security Benefit Corp.

*Payment of Benefits*

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Distributions are recorded when due and payable under the Provisions of the Plan.

## VI. Time Requirements

### A. Proposal Calendar

- |                                   |               |
|-----------------------------------|---------------|
| • Request For Proposal issued     | May 21, 2013  |
| • Deadline for proposal questions | May 28, 2013  |
| • Due date for proposals          | June 11, 2013 |

### B. Preliminary Engagement Planning

A detailed engagement plan and program(s) must be submitted to the AOA Liaison no later than July 8, 2013. The AOA Liaison will review and provide comments, if necessary, within 10 business days.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

The engagement records are expected to be available for review by April 1 each year.

C. Entrance Conference

An entrance conference must be held with the engagement entity's key personnel each fiscal year. At the entrance conference, the firm must provide the engagement entity with a time schedule for the engagement and a listing of all information needed.

The firm must make the AOA Liaison aware of the date and location of the entrance conference in case the AOA Liaison wishes to attend.

D. Progress Reporting and Exit Conference

The firm must keep the engagement entity and AOA updated on the progress of the engagement. After the engagement has been completed, an exit conference must be held with the engagement entity's key personnel and the AOA Liaison, unless the AOA Liaison declines.

E. Reports

1. Draft Reports – Prior to obtaining management's response, but after going through a supervisory and technical review, the draft report will be submitted via email to the AOA Liaison on or before the following dates. The AOA Liaison requires a minimum of 10 business days for review and to return any comments to the firm. In addition to requirements under the professional standards, reports **must** be formatted in accordance with AOA's Style Guide.

- Fiscal Year 2012                      September 27, 2013
- Fiscal Year 2013                      May 23, 2014

The firm must provide an electronic version of the draft report to the engagement entity's principal contact or designee for management response and approval. The engagement entity's principal contact or designee must review the draft report as expeditiously as possible. During management review, the firm must be available to discuss the engagement report and resolve any issues. After all issues are resolved, an electronic version of the draft report must be forwarded to the AOA Liaison for final review by the following dates.

- Fiscal Year 2012                      October 18, 2013
- Fiscal Year 2013                      June 13, 2014



State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

2. Final Reports – Once the AOA Liaison approves the report for issuance, the final report must be emailed in an unsecured PDF format to the AOA Liaison by the following dates.

- Fiscal Year 2012                      November 1, 2013
- Fiscal Year 2013                      June 27, 2014

Report preparation and editing is the responsibility of the firm.

## VII. Proposal Content

### A. Technical Proposal

There must be **no dollars or total costs** included in the Technical Proposal. Inclusion of such information will result in disqualification of the proposal. The Technical Proposal **must** address all the points outlined in the RFP in the following format:

1. Transmittal Letter - The signed transmittal letter must briefly discuss the following: RFP subject, reference number, the proposer’s understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it is best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for one month after the due date of proposal. The transmittal letter must also clearly state and justify any exception to the requirements of the RFP that the applicant may have taken in presenting the proposal.
2. Table of Contents - A table of contents must clearly identify each section by page number.
3. Mandatory Criteria - **No proposal will move forward for full technical review and scoring unless the mandatory items are fully addressed as requested in this section.**
  - a. Independence  
The firm **must** provide an affirmative statement that it is independent of the engagement entity and AOA as defined by engagement standards in the U.S. Government Accountability Office’s *Government Auditing Standards*.

The firm **must** also list and describe the firm’s professional relationships involving the engagement entity for the past five years, together with a statement explaining why each relationship does not constitute a conflict of interest relative to performing the proposed engagement. If the firm has

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

had no relationships within the last five years, the proposal **must** include a declarative statement.

In addition, the firm **must** give AOA immediate written notice and obtain approval from AOA of any professional relationships with the State of Delaware and its related entities before they are entered into during the contract period.

- b. License to Practice in Delaware & Delaware Business License  
The applicant **must** provide: (1) a copy of valid Delaware CPA licenses, a copy of valid CPA licenses from a jurisdiction with CPA licensure requirements that are substantially equivalent to those of the Uniform Accountability Act, or authorization to practice in the State of Delaware from the National Association of State Boards of Accountancy (NASBA) for the engagement partner, manager, and supervisor in-charge, (2) a copy of a valid Delaware firm permit to practice, and (3) a copy of a current Delaware State business license for the firm.
- c. Firm Qualifications and Experience  
The proposer **must** state the size of the firm, the size of the firm's governmental staff, the location of the office from which the work on this engagement is to be performed, the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number and nature of the staff to be employed on a part-time basis.
- If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium **must** be separately identified and the firm that is to serve as the principal auditor must be noted, if applicable.
- d. Peer Review  
The proposer **must** submit a copy of the most current peer review and a statement whether the quality control review included a government engagement. A proposer must be in compliance with generally accepted government auditing standards (GAGAS) peer review requirements.
- e. Suspension and Debarment  
The firm **must** certify that it is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any government agency or Board. In addition, the firm must certify that it has not been the subject of any disciplinary action<sup>1</sup> or inquiry in any

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<sup>1</sup> Disciplinary action includes conviction or a civil judgment rendered for (a) commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction, (b) violation of Federal or State antitrust statutes, or (c)

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

jurisdiction or terminated from a public (Federal, State or local) contract for cause or default during the past three years

Any firm ineligible to conduct business in the State of Delaware for any reason is ineligible to respond to the RFP.

f. Insurance

The firm, as an independent contractor to the State, **must** provide a copy of insurance for claims under the Worker’s Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under this Contract. The firm’s copy of insurance **must** demonstrate that it currently carries insurance of minimum limits as follows:

Commercial General Liability	\$1 million per claim/ \$3 million aggregate
Professional Liability	\$1 million per claim/ \$3 million aggregate

g. Partner, Supervisor, and Staff Qualifications and Experience

The firm **must** identify the engagement team: engagement partners, managers, supervisors, staff auditors, and specialists. For each person, the firm must indicate whether the person is registered or licensed to practice as a Certified Public Accountant in the State of Delaware; provide information on the person’s government auditing experience, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this engagement; and discuss whether or not that person, within the past three years, has been the subject of any disciplinary action or inquiry in any jurisdiction.

The firm must identify the extent to which staff to be assigned to the engagement reflect the State of Delaware’s commitment to Affirmative Action.

Engagement partners, managers, supervisors, and staff auditors may be changed if those personnel leave the firm, are promoted, are assigned to another office, or for other reasons with the express prior written permission of AOA. However, in either case, AOA retains the right to approve or reject replacements and the replacements must have substantially the same or better qualifications or experience.

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commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of AOA, which retains the right to approve or reject replacements.

- h. Statement on Subcontracting & Third Party Service Providers  
The firm must include a statement that the work will not be subcontracted and that none of the work products will be subjected to a third party service provider.
- i. Non-Collusion Statement  
The form, located at Appendix B, must be completed and signed by an authorized representative of the firm.

4. Technical Criteria

- a. Prior Engagements with AOA  
All engagements performed for AOA within the last three years must be listed in the proposal. These engagements must be ranked on the basis of total staff hours and by type of engagement (i.e., audit, management advisory services, other). The scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact must also be detailed.
- b. Similar Engagements with Other Government Entities  
For the firm's office that will be assigned responsibility for the engagement, the firm must list the most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in this RFP. These engagements must be ranked on the basis of total staff hours and must indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.
- c. Specific Engagement Approach  
The proposal must set forth a work plan including, but not limited to, the following as applicable:
  - (1) Proposed segmentation, phases, and/or milestones of the engagement.
  - (2) Level of staff and number of hours assigned to each area proposed in (1) **without dollars**.
  - (3) Sample methodology and the extent to which sampling is to be or planned to be used.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

- (4) Processes for evaluating and testing internal controls including plans for adequate coverage of information technology infrastructure and data integrity.
- (5) Processes to ensure the quality of the engagement.
- (6) Approach to manage the engagement process and ensure appropriate time and staff commitments to meet AOA deadlines.
- (7) Firms that were members of the AICPA's Government Audit Quality Center (GAQC) during peer review must disclose such information. If a firm has joined since the last peer review, they must disclose the membership date.

B. Cost Proposal

The cost proposal will include a transmittal letter with the name of the firm, a written certification that (1) the firm agrees to bill AOA only for actual work performed and out-of-pocket expense incurred during its performance of the engagement, (2) billings will be submitted in the format outlined in Section IX. B. of this RFP, and (3) the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with AOA.

The cost proposal must contain all detailed cost information relative to performing the engagement as described in this RFP **for each fiscal year presented in the schedule as outlined in Appendix A**. Appendix A is an example of a detailed cost schedule, and it should be amended as needed according to the deliverables of the RFP and specific steps within each deliverable. Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the prevailing rates used by the State of Delaware for its employees. A statement **must** be included in the cost proposal stating that the firm will accept reimbursement for travel, lodging, and subsistence at the prevailing rate used by the State of Delaware for its employees.

If a firm determines additional items necessary for the completion of this engagement, the firm may include these in their proposals as separate line items. Any additional items will be considered individually and removed from the total cost when comparing cost proposals.

VIII. Evaluation Process

During the evaluation process, AOA reserves the right to request additional information or clarification from proposers, or to allow corrections of errors or omissions. Additionally, AOA may request the firm or firms to make oral presentations as part of the evaluation process. Not all firms may be asked to make such oral presentations. All costs associated with participation in oral presentations conducted for the State of Delaware are the firm's responsibility.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

The Evaluation Committee may negotiate with one or more of the qualified firms during the same period and may, at its sole discretion, terminate negotiations with any and all firms at any time.

A. Review of Proposals

Proposals that do not meet or comply with the instructions of this RFP may be considered non-conforming, deemed non-responsive, and be subject to disqualification at the sole discretion of the Evaluation Committee.

The Evaluation Committee will use a point formula during the review process to score technical proposals. All assignments of points must be at the sole discretion of the Evaluation Committee. Each member of the Technical Evaluation Committee will first score each technical proposal by each of the criteria described in Section VII. The Technical Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at an average technical score for each firm. At any point a firm may be eliminated from further consideration for unacceptably low technical scores.

B. Evaluation Criteria

Only firms meeting the mandatory criteria and all the must requirements of the RFP will have their proposals evaluated and scored for both technical qualifications and cost.

1. Technical Qualifications: (Maximum Points: 90)

Technical criteria will include, but are not limited to, staffing qualification, prior experience, AOA's prior experiences with the firm, use of specialist, engagement approach and innovation, and realistic time estimates.

2. Cost: (Maximum Points: 10)

Cost **will not** be the primary factor in the selection of any firm.

C. Reservation of Rights

The Evaluation Committee reserves the right to:

- Select for contract or for negotiations a proposal other than that with the lowest costs.
- Reject any and all proposals or portions of the proposals received in response to this RFP, or to make no award or issue a new RFP.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

- Waive or modify any information, irregularity, or inconsistency in proposals received.
- Request modification to proposal from any or all contractors during the review and negotiation.
- Negotiate any aspect of the proposal with any firm and negotiate with more than one firm at the same time.

The Evaluation Committee reserves the right to reject any proposal as represented throughout this document and from a firm who:

- Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;
- Has been convicted under State or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offenses indicating lack of business integrity or business honesty that currently and seriously affects responsibility as a State contractor;
- Has been convicted or has had a civil judgment entered for a violation under State or federal antitrust statutes;
- Has violated contract provisions such as:
  - Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract;
  - Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
  - Has violated ethical standards set out in law or regulation;
  - Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State contractor, including debarment by another government entity for cause listed in the regulations.

D. Confidentiality of Documents

All documents submitted as part of the firm's proposal will be deemed confidential during the evaluation process. Proposals will not be available for review by anyone other than AOA and the Evaluation Committee or its designated agents. There must be no disclosure of any firm's information to a competing firm prior to award of the contract.

The State of Delaware is a public agency as defined by State law, and as such, it is subject to the Delaware Freedom of Information Act, 29 Del. C., c. 100. Under the law, all the State of Delaware's records are public records, unless otherwise declared by law to be confidential, and are subject to inspection and reproduction by any person. Vendors are advised that once a proposal is received by the State of Delaware and a decision on contract award is made, its contents will become public

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

record and nothing contained in the proposal will be deemed to be confidential except proprietary information.

Firms must not include any information in their proposal that is proprietary in nature or that they would not want to be released to the public. Proposals must contain sufficient information to be evaluated and a contract written without reference to any proprietary information. If a firm feels that it cannot submit its proposal without including proprietary information, it must adhere to the following procedure or the firm's proposal may be deemed unresponsive and will not be recommended for selection. The firm must submit such information in a separate email labeled "Proprietary Proposal Information" with the RFP number. The email must contain a letter from the firm's legal counsel describing the documents in the email, representing in good faith that the information in each document is not "public record" as defined by 29 Del. C. § 10002(d), and briefly stating the reasons that each document meets the said definitions.

IX. Contract Conditions

The firm awarded the contract will be required to enter into a written agreement with AOA. AOA reserves the right to incorporate standard State of Delaware contractual provisions into any contract negotiated as a result of a proposal submitted in response to an RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by AOA. The firm must be referred to as "Contractor" in the agreement.

The selected firm will be expected to enter negotiations with AOA, which will result in a formal agreement between the parties. Procurement will be in accordance with the subsequent contracted agreement. This RFP and the selected firm's response to this RFP will be incorporated as part of any formal agreement.

If the firm to whom the contract is awarded fails to enter in the agreement as herein provided, the award will be annulled and an award may be made to another firm. Such firm must fulfill every stipulation embraced therein as if they were the party to whom the first award was made.

The selected firm under this RFP must be subject to contractual provisions, in a form substantially similar to the following, as well as those agreed to by the parties and not specifically described herein.

A. Term

The term of the contract between the successful firm and AOA must be determined by AOA. The agreement may be terminated by AOA at any time by giving written



State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

notice to the Contractor of such termination. Upon such termination, the Contractor will be paid for the hours of work actually completed.

In the event the successful firm materially breaches any obligation under this Agreement, the Contractor must not be relieved of any liability to the State of Delaware for damages suffered by it by virtue of any such breach. AOA may withhold any payments to Contractor for the purpose of set off for such damages.

B. Compensation

AOA agrees to pay Contractor compensation calculated solely on the amount of engagement work performed by firm's staff, based on actual hours billed and hourly rates as set forth in Appendix A herein, as well as approved out-of-pocket expenses.

Contractor agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. Contractor **must** submit all invoices in electronic format to AOA for approval. Any additional work outside the contract or for additional fees related to the contract is not permitted without the AOA Liaison's knowledge and approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work was performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions, and dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the engagement entity for payment or pay the invoices itself, depending on the type of engagement.

If the deliverables are not submitted on the due dates as enumerated in Section VI. E of this RFP or as approved by AOA in writing per the terms of the contract, the Contractor is thus in default and may be subject to a late penalty. The penalty shall amount to zero point one percent (0.1%) of the total contract price for each day following the deliverable date specified in the Contract up to ten percent (10%) of the total price. This provision does not preclude damages for breach of contract for substandard work or damages as enumerated herein.

C. Non-Appropriation

In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue the contractual agreement, in whole or in part, the agreement must be terminated, as to any obligation of the State of Delaware requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

D. Notice of Termination

Any notice to AOA required under this Agreement must be in writing and sent by regular mail and registered mail to:

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Attention: Kathleen A. Davies  
Chief Administrative Auditor  
Townsend Building, Suite 1  
401 Federal Street  
Dover, DE 19901

E. Formal Contract and Purchase Order

The successful firm must promptly execute an agreement incorporating the terms of this RFP within twenty business days after the award of the contract. When purchase orders are applicable, no bidder is to begin any service prior to receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Division of Accounting and the engagement entity, where applicable. The purchase order must serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful firm.

F. Indemnification

By submitting a proposal, the proposing firm agrees that in the event it is awarded a contract, the Contractor must defend, indemnify and save harmless the State from and against all liability, damages, costs or expenses, causes of actions, suites, judgments, losses, and claims including reasonable attorney's fees, brought against the State arising out of or resulting from the performance of the auditing services by Contractor under the Agreement resulting from this RFP to the extent caused by Contractor's negligence or arising from any breach or default Contractor under such Agreement. The foregoing obligation of Contractor to defend, indemnify and hold harmless the State must not extend or apply to any claim alleging that the State's financial statements are inaccurate or incomplete or were not prepared in accordance with generally accepted accounting principles. Further, in no event will Contractor indemnify and hold harmless the State from any claims or liabilities resulting from the acts of the State.

G. Compliance

In performance of the contract the firm is required to comply with all applicable federal, state and local laws, regulations, policies, guidelines and requirements of the jurisdiction in which the Agreement is performed, as well as all applicable professional conduct rules and guidelines. The cost of permits and other relevant costs required in the performance of the contract must be borne by the successful firm. The firm **must** be properly licensed and authorized to transact business in the State of Delaware as provided in 30 Del. C. §2502 and other applicable statutes and regulations.

AOA reserves the right to audit conformance to the contract terms and may perform this audit with a third party at its discretion.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

H. Data Usage Agreement

At no point will any information obtained for the purposes of this engagement be used in any transaction that does not include AOA. Additional precautions must be taken if a Contractor uses cloud computing<sup>2</sup> to perform the services of this Contract. If awarded the Contract, the Contractor must agree to the terms specified in Appendices C and D prior to the commencement of the engagement. The Contractor and its employees are forbidden from signing any agreements related to this engagement (e.g. non-disclosure agreements, data usage agreements, etc.) that are not presented directly by AOA.

I. Confidentiality of Information

Any reports, information, data, etc. given to, prepared, or assembled by the Contractor under this Contract shall not be released or made available to any individual or organization by the Contractor without the prior written approval of AOA. All information must be properly secured to prevent unauthorized access in accordance with Internal Revenue Service (IRS) Publication 1075, Tax Information Security Guidelines for Federal, State, and Local Agencies, the Privacy Act of 1974 (as amended by the Computer Matching and Privacy Protection Act of 1988), the Federal Information Security management Act of 2002, the Social Security Administration’s “Information System Security Guidelines for Federal, State, and Local Agencies Receiving Electronic Information from the Social Security Administration,” and related National Institute of Standards and Technology (NIST) guidelines. Notwithstanding the forgoing, the Contractor is authorized to disclose any information related to this Contract when required to by law, legal process, or applicable professional standards.

Audit working papers, summaries, and similar records must be retained electronically for three years after the completion of the engagement in accordance with the Delaware Public Archives Local Government General Records Retention Schedule.

At the end of the engagement all non-working papers must be destroyed in all forms (e.g. disk, CD, DVD, paper) except those items required for audit documentation purposes.

J. Use of Work Product

All reports developed under this Contract are the sole and exclusive property of the State, and the State has the exclusive right to their use.

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<sup>2</sup> The National Institute of Standards and Technology (NIST) defines cloud computing as a “model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort...”

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

K. Insurance

The firm recognizes that it is operating as an independent contractor, and not an employee of the State of Delaware, and that it is liable for any and all losses, penalties, damages, expenses, attorney's fees, judgments, and/or settlements incurred by reason of injury to or death of any and all persons, or injury to any and all property, of any nature, arising out of the contractor's negligent performance under this contract, and particularly without limiting the forgoing, caused by, resulting from, or arising out of any act of omission on the part of the contractor in their negligent performance under this contract.

The firm **must** certify that it must maintain such insurance as will protect against claims under Worker's Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under the Agreement. The firm is an independent contractor and is not an employee of the State of Delaware.

The firm **must**, at its expense, carry insurance of minimum limits as follows:

Commercial General Liability	\$1 million per claim/ \$3 million aggregate
Professional Liability	\$1 million per claim/ \$3 million aggregate

The firm **must** provide a certificate of insurance as proof that the firm has the required insurance.

L. Non-Discrimination

In performing the services subject to this RFP, the firm agrees that it will not discriminate against any employee or applicant for employment because of race, creed, age, marital status, religion, color, sex, genetic information, national origin, or disability. The successful firm must comply with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practice. Failure to perform under this provision constitutes a material breach of contract.

M. Covenant Against Contingent Fees

The successful firm warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement of understanding for a commission or percentage, brokerage or contingent fee excepting bona-fide employees, bona-fide established commercial or selling agencies maintained by the bidder for the purpose of securing business. For breach or violation of this warranty, AOA must have the right to annul the contract without liability or at its discretion to

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

deduct from the contract cost or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

N. Contract Documents

The RFP, the Purchase Order and the executed Agreement between AOA and the successful firm must constitute the Contract between AOA and the firm. In the event there is any discrepancy between any of these contract documents, the following order of documents governs so that the former prevails over the latter: Agreement, Purchase Order, and RFP. No other documents must be considered. These documents contain the entire agreement between AOA and the firm. The firm agrees to be bound by the terms of this RFP pending final execution of the Agreement by the parties.

O. Applicable Law

The laws of the State of Delaware must apply, except where Federal law has precedence. The successful firm consents to exclusive jurisdiction in the State of Delaware and agrees that any litigation relating to this Agreement must be filed and litigated in a court in the State of Delaware.

P. Scope of Agreement

If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision must be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement must not thereby fail, but the scope of such provisions must be curtailed only to the extent necessary to conform to the law.

X. Additional Services

If, during the course of the engagement, the firm suspects that there will be significant delays in the timing of the work due to the actions of the engagement entity, such as not providing requested items in a timely manner or not adhering to the agreed-upon time schedule discussed at the entrance conference, the firm must notify AOA immediately. AOA and the firm will discuss the issues and develop a solution for completing the engagement.

If it must become necessary for AOA to request the firm to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work must be performed only if set forth in an addendum to the Agreement between AOA and the firm. Any such additional work agreed to between AOA and the firm must be performed at the same rates set forth in the schedule of fees and expenses included in the cost proposal. Further, if these delays cause the firm to

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

perform additional work, the AOA liaison must approve any additional hours **before** they are incurred.

XI. Manner of Payment Notice

Progress payments may be made no more frequently than 30, 60, 90, and 100 percent of completion based on the hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's cost proposal and not less than a calendar month.

The invoice must include the following: (1) name of engagement entity/engagement; (2) amount and if it is a progress or final invoice; and (3) a breakdown of staff and hours for each. Ten percent of the contract amount will be retained until the Exit Conference has been held and the final reports have been reviewed and accepted by AOA.



State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Appendix B

Non-Collusion Statement

This is to certify that the undersigned Vendor has not, directly nor indirectly, entered into any agreement, participated in any collusion, or otherwise taken any action in restraint of free competitive bidding in connection with this proposal. The undersigned Vendor further certifies that it is not a subcontractor to another vendor who also submitted a proposal as a primary vendor in response to this solicitation.

Signature of the authorized representative **MUST** be of an individual who legally may enter his/her organization into a formal contract with the State of Delaware, Office of Auditor of Accounts.

Company Name: \_\_\_\_\_

Check One:  Corporation             Partnership             Individual

Company Classifications: [This information is used for statistical purposes only.]

(circle one)

Women Business Enterprise (WBE)	Yes	No
Minority Business Enterprise (MBE)	Yes	No
Disadvantaged Business Enterprise (DBE)	Yes	No

Authorized Representative and Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email address: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

SWORN TO AND SUBSCRIBED BEFORE ME this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_

Notary Public: \_\_\_\_\_ Commission Expires: \_\_\_\_\_

City of \_\_\_\_\_ County of \_\_\_\_\_ State of \_\_\_\_\_



State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Appendix C

Data Usage Agreement

1	The State of Delaware shall own all right, title and interest in its data that is related to the services provided by this Contract. The Contractor shall not access State of Delaware User accounts, or State of Delaware Data, except (i) in the course of data center operations, (ii) response to service or technical issues, (iii) as required by the express terms of this contract, or (iv) at the State of Delaware’s written request.
2	<p>Protection of personal privacy and sensitive data shall be an integral part of the business activities of the Contractor to ensure that there is no inappropriate or unauthorized use of State of Delaware information at any time. To this end, the Contractor shall safeguard the confidentiality, integrity, and availability of State information and comply with the following conditions:</p> <ul style="list-style-type: none"> <li>a) Personal identifiable information (PII)<sup>3</sup> obtained by the Contractor shall become and remain property of the State of Delaware.</li> <li>b) At no time shall any data or processes which either belongs to or are intended for the use of State of Delaware or its officers, agents, or employees, be copied, disclosed, or retained by the Contractor or any party related to the Contractor for subsequent use in any transaction that does not include the State of Delaware.</li> <li>c) The Contractor shall not use any information collected in connection with the service issued from this proposal for any purpose other than fulfilling the service.</li> <li>d) The Contractor will properly safeguard PII from loss, theft, or inadvertent disclosure at all times.</li> <li>e) The Contractor ensures that laptops and other electronic devices/media containing PII are encrypted and/or password protected.</li> <li>f) The Contractor shall limit disclosure of the information and details relating to a PII loss only to those who need to know.</li> <li>g) Data shall be encrypted for all State of Delaware non-public data in transit via Secure FTP, including data that resides on mobile devices.</li> </ul>
3	The Contractor shall not store or transfer State of Delaware data outside of the United States. This includes backup data and Disaster Recovery locations.
4	Contractor will account for all copies of the State of Delaware data.
5	Contractor must inform the State of Delaware of any security breach or detection of any suspicious intrusion that is or has occurred that jeopardizes the State of Delaware data or processes. This notice must be given to the State of Delaware within 24 hours of its discovery. Full disclosure of the assets that might have been jeopardized must be made. Public breach notification is required by <a href="#">6 Del. C. § 12B-101(4)</a> when citizens’ personally identifiable information is lost or stolen. All communication shall be coordinated with the State of Delaware. In the event that data from the Social Security Administration (SSA) is

<sup>3</sup> Personally identifiable information is defined in [6 Del. C. § 12B-101\(4\)](#), and includes items such as Social Security Number, Date of Birth, Driver’s License number; login credentials, financial data, or federal/state tax information

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Appendix C

	breached, the Contractor must follow SSA’s procedures when reporting the breach. When the Contractor is liable for the loss, the State of Delaware shall recover all costs of response and recovery from the breach. Without limitation of additional legal bases, pursuant to the <a href="#">State of Delaware Constitution of 1897 at Article VIII, §§ 3 and 4</a> and <a href="#">29 Del. C. § 6519(a)</a> the State of Delaware is not legally permitted to agree to any limitations on liability.
6	The Contractor shall contact the State of Delaware upon receipt of any electronic discovery, litigation holds, discovery searches, and expert testimonies related to, or which in any way might reasonably require access to the data of the State. The Contractor shall not respond to subpoenas, service of process, and other legal requests related to the State of Delaware without first notifying the State unless prohibited by law from providing such notice.
7	Only assigned Contractor staff / auditors will have access to the State of Delaware Data and assigned Contractor staff / auditors may be required to be cleared through the State’s Security Clearance Program prior to the review of State’s data.
8	Data shall be permanently deleted and shall not be recoverable, according to the National Institute of Standards and Technology (NIST) approved methods. Certificates of destruction must be provided to the State of Delaware.
9	<p><b>ONLY INCLUDE THIS SECTION IF THE FIRM USES A SERVICE PROVIDER FOR CLOUD COMPUTING</b></p> <p>[If the Contractor uses cloud or offsite hosting as defined in section IX. H. – Data Usage Agreement of the RFP, the following terms and conditions must be met:</p> <ul style="list-style-type: none"> <li>▪ The Contractor shall perform an independent audit of their data centers at least annually and provide a redacted version of the audit report upon request. The Contractor may remove their proprietary information from the redacted version. For example, a Service Organization Control (SOC) 2 audit report would be sufficient.</li> <li>▪ Advance notice (to be determined at contract time) shall be given to the State of Delaware of any major upgrades or system changes that the Contractor will be performing. The State of Delaware reserves the right to defer these changes if desired.</li> <li>▪ The Contractor shall disclose its non-proprietary security processes and technical limitations to the State of Delaware such that adequate protection and flexibility can be attained between the State of Delaware and the Contractor. For example: virus checking and port sniffing – the State of Delaware and the Contractor shall understand each other’s roles and responsibilities.] </li></ul>

Contractor:

[NOT TO BE COMPLETED UNTIL A FIRM HAS BEEN AWARDED THE CONTRACT]

Print Name

Title

Signature

Date

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Appendix D

Frequently Asked Questions

1. Who prepared the financial statements?  
It is the agency's responsibility to ensure the financial statements and related notes are prepared for the audit.
2. What were the prior year audit fees?  
The previous contract included additional services that cannot be separated and therefore are not comparative to the current engagement. The firm is encouraged to evaluate the hours they believe is necessary to complete the engagement in accordance with the current standards, including any updates that may have occurred from the prior year to present. Firms that provide a more detailed proposal and related hours tend to score much higher than those that do not. In fact, lack of adequate detail and or hours will result in a reduced scoring.
3. How many hours did the most recent audit take?  
Please see response to question 2 above.
4. Is there a prior report?  
The December 31, 2011 audit report has been issued and is available at [auditor.delaware.gov](http://auditor.delaware.gov).
5. Were there any difficulties in completing the prior period audit?  
We are not aware of any difficulties in completing the audit.
6. Were there any audit adjustments in the prior year audit? If so, how many were there?  
Based on the lack of a finding, there were no material adjustments in the prior year audit. AOA does not receive the audit difference schedule from the contracted firm as a regular practice, so we would not know the number or amount of adjustments passed on.
7. Did any event occur that would make the current year audit significantly different from the prior year?  
For the years ended December 31, 2012 and 2013, the Office of the State Treasurer has contracted with an independent firm to obtain appropriate information from several vendors and compile the financial statements. The firm is expected to reflect any and all accounting and standards changes in its presentation to demonstrate adequate professional competencies.
8. Can a firm opt to provide proof of insurance upon request or contract award?  
Absolutely not, please refer to all elements considered mandatory requirements. They are mandatory and must be provided as part of the proposal or the proposal is disqualified.
9. In the RFP on page 10, 3b asks for authorization from NASBA. Since Delaware is a State that is part of the Portability Act, can we just say that we meet the requirements of the Act and provide a copy of our firm's State license and a copy of the State licenses for the Partner, Manager, and Supervisor in the proposal?

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Appendix D

Yes, that is acceptable. Copies of the firm and the partner, manager, and supervisor-in-charge CPA licenses must be provided. Please keep in mind that a copy of a valid State of Delaware business license is also required.

10. In the RFP on page 11, what do you want to see in the proposal pertaining to Affirmative Action? We have a policy, so can we simply say that we have an Affirmative Action Policy?  
Yes, you may state that you have an Affirmative Action Policy. Per page 11 of the RFP: “The firm must identify the extent to which staff to be assigned to the engagement reflect the State of Delaware’s commitment to Affirmation Action.”
11. Will AOA provide us with information such as contained in an SSAE 16 report concerning the controls placed in operation, design and operating effectiveness of the various State data processing centers? AOA expects to have the SSAE 16 report performed on the First State Financials and Payroll Human Resource Statewide Technology completed for FY 2011 and FY 2012 in the near future and will distribute to firms under contract upon completion. AOA has arranged for ongoing reviews every year after as part of the statewide audit.
12. Can we include an insurance binder showing our limits to satisfy the proof of Insurance requirement? Can the insurance certificate have an expired date?  
Yes, however AOA will require the selected firm to provide evidence of actual insurance prior to the contract being signed. The insurance certificate or binder will not be accepted if the certificate is not current as of the date the proposals are submitted.
13. Can you share with us the information given to other bidders in response to their inquiries?  
Answers to all questions received are posted at [bids.delaware.gov](http://bids.delaware.gov).
14. What assistance is given to the auditors during the audit?  
Per section IV.C. on page 5, “The firm agrees it will not prepare the financial statements, note disclosures, or management discussion and analysis (MD&A). The firm should notify AOA immediately of any request to perform such services.”
15. Is this RFP for a fixed price contract?  
No, our contracts are not fixed in price. As described in Section IX B. of the RFP, the Contractor agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. Therefore, if a firm’s work is less than the estimated hours in its proposal, the firm should only bill for actual hours. Any additional work outside the contract or for additional fees related to the contract is not permitted without the AOA Liaison’s prior knowledge and approval.
16. Is the proposing partner required to submit clarifying questions to AOA?  
Questions may be submitted by any representative deemed appropriate by the firm; however, the proposing partner should sufficiently participate in the proposal process to eliminate unnecessary questions and to ensure the firm’s proposal meets all RFP requirements.

State of Delaware  
Office of Auditor of Accounts  
Request for Proposal

Appendix D

17. Does the quality of past engagement work and reports play a role in firm's technical proposal score?  
Yes. AOA looks for high quality audit work, including quality writing in both findings and reports. When auditors perform quality audit work in accordance with GAGAS, it can lead to improved government management, better decision making and oversight, effective and efficient operations, and accountability and transparency for resources and results. (GAGAS 1.05) Audit reports are used to effectively communicate necessary information to both government officials and the public. Therefore, sufficient time should be budgeted and spent on writing user-friendly findings that allow these readers to understand the issues found and their impact. When evaluating a firm on previous work experience, the Evaluation Committee will consider whether previously submitted engagement reports were complete, accurate, objective, convincing, clear, and concise (GAGAS A7.02) and whether sufficient time has been allocated in the current proposal for performing these tasks.