



State of Delaware
Office of Auditor of Accounts

Request for Proposal

For

Delaware State Housing Authority

Professional Services

April 23, 2013

RFP13-CPA-03

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), May 14, 2013

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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 fiscal years ended June 30, 2013 and June 30, 2014, with the option to renew the contract 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 April 30, 2013 via e-mail directly to:

Kathleen Davies
Chief Administrative Auditor
302-857-3919
Kathleen.Davies@state.de.us

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 emailed separately** to Wendy Roberts (Wendy.Roberts@state.de.us) on or before 3:00 p.m. on May 14, 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.

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

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).

IV. Nature of Services Required

A. Engagement Description and Cycle

The proposer shall express an opinion on the fair presentation of the basic financial statements and the OMB Circular A-133 Audit for the Delaware State Housing Authority (DSHA). DSHA's fiscal year begins on July 1 and ends on June 30.

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, the U.S. Government Accountability Office's *Government Auditing Standards*, the provisions of the Federal Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, and any additional audit requirements required by the U.S. Department of Housing and Urban Development (HUD). In addition, the firm is responsible for reviewing professional standards to determine any further applicability to this engagement.

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 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

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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.

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 and DSHA. AOA and DSHA 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 Cheryl F. Lehman, Financial Reporting Section Manager, or a designated representative, who will coordinate the assistance to the firm. The location of the audits will be at DSHA offices, located at 18 The Green, Dover, DE.

B. Background Information

The following information has not been audited but was provided by DSHA:

DSHA was created in 1968 by an act of the General Assembly of the State of Delaware (the State). DSHA, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. In 1987, the State transferred the administrative responsibility for the Housing Development Fund (HDF), Community Development Block Grant and the Delaware Housing Insurance Fund to DSHA. In July 1988, DSHA was established as an independent Authority in the Executive Department, reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key

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aspect of State policy. For financial reporting purposes, DSHA is a discretely presented component unit of the State.

DSHA was established and its powers and duties are specified in 29 Del. C. Chapter 86 and 31 Del. C. Chapter 40.

DSHA is authorized, among other things, to (1) make mortgage, construction, and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the federal government and others.

DSHA is authorized to issue bonds and notes in order to exercise its authorized powers. DSHA must abide by federal private activity caps. Bonds and notes issued by DSHA are not a debt or liability of the State (nor any political subdivision or agency thereof), and the faith, credit nor taxing power of the State is liable for repayment of such obligations. Bonds and notes of DSHA are secured solely by the revenues, loans and other pledged assets under the related bond indenture and is not payable from any other revenues of DSHA. Furthermore, DSHA has no taxing power.

Detailed information regarding DSHA, including individual program descriptions and previous financial reports, is available at www.destatehousing.com.

DSHA's Accounting System

In order to assure accuracy in financial management, accounting reports and statements, DSHA utilizes the modular-based MIT AS Financial Management System.

The daily business activity of the agency is captured in the system's various modules; accounts payable, cash and investment management, capital assets, direct servicing, debt service, mortgage loan accounting, etc. Monthly these modules are reconciled with appropriate documentation; bank statements, servicer reports, trustee reports, etc.

After all modules (sub-ledgers) have been reconciled they are processed into the general ledger along with certain other monthly activity such as accruals, depreciation, and monthly journal entries. Journal entries are prepared for the purpose of correcting and/or changing the way information comes into the general ledger from the sub-ledgers when it is not possible or practical to alter the sub-ledger. Journal entries are also needed for recording information in the general ledger that is not currently contained in a MITAS system module, such as the Tenant Accounts Receivable and State of Delaware First State Financial activity.

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Following this monthly process of the general ledger, all programs within the ledger are reconciled with the sub-ledger activity to ensure the accuracy of the information brought into the general ledger. When all programs have been reconciled, various monthly reporting is completed, the month-end general ledger balances and activity are stored electronically, and the process begins for the next month.

On a quarterly basis, unaudited financial reports are produced and basic reconciliations are performed to ensure on-going accuracy of the general ledger.

At the fiscal year-end, following the monthly reconciliation, addition of fiscal year-end journal entries, and production of extensive detailed audit schedules, DSHA staff prepares financial statements for an annual audit by an independent certified public accounting firm. Annually, DSHA publishes its audited financial reports and makes them available on its Internet site.

Following the audit, the next fiscal year is started in MITAS by a procedure that brings all the previous year's ending balances for asset and liability accounts into the new fiscal year and balances them with a net asset/fund balance account.

DSHA's Basic Financial Statements

DSHA's financial report consists of entity-wide financial statements and fund financial statements, accompanied by these notes to the financial statements, a management's discussion and analysis, and supplementary information.

The entity-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of DSHA. Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by state grants, interest income, and transfers, are reported separately from business-type activities, which rely to a significant extent on federal grants, interest income, mortgage repayments, and bond proceeds for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to a specific function in accordance with the Authority's U.S. Department of Housing and Urban Development (US Dept. of HUD) approved cost allocation plan. Interest expense on long-term debt is included in the direct expense of an individual function on the entity-wide statement of activities. Program revenues include 1) charges to clients or applicants who use or directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Investment income and other items

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not properly included among program revenues are reported instead as general revenues.

The accounts of DSHA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as applicable. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent in accordance with DSHA's enabling legislation, the various note and bond resolutions and indentures, and/or the requirements of the US Dept. of HUD.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the entity-wide financial statements. Major governmental and enterprise funds are reported as separate columns in the fund financial statements. DSHA reports the General Fund, the Housing Development Fund, and the DSHA Second Mortgage Assistance Loan Program as major governmental funds. All other governmental funds are reported as non-major. DSHA also reports its only enterprise funds, the Federal Programs and Single Family Programs, as major.

DSHA's Basic Financial Statements also include schedules and auditor reports as required by the Single Audit Act.

VI. Time Requirements

A. Proposal Calendar

- Request For Proposal issued April 23, 2013
- Deadline for proposal questions April 30, 2013
- Due date for proposals May 14, 2013

B. Preliminary Engagement Planning

A detailed engagement plan and program(s) must be submitted to the AOA Liaison no later than July 1, 2013. The AOA Liaison will review and provide comments, if necessary, within 10 business days.

The engagement records are expected to be available for review by July 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

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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 2013 September 25, 2013
- Fiscal Year 2014 September 25, 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 2013 October 16, 2013
- Fiscal Year 2014 October 16, 2014

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 2013 October 30, 2013
- Fiscal Year 2014 October 30, 2014

Report preparation and editing is the responsibility of the firm.

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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 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.

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- 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 Board of Accountancy (NASBA) for the engagement partner, manager, and supervisor in-charge, and (2) 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 has not been suspended or debarred from performing government engagements or other governmental activity. In addition, the firm must certify that it has not been the subject of any disciplinary action or inquiry in any jurisdiction 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:

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| | |
|------------------------------|---|
| 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.

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.

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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 of the engagement.
- (2) Level of staff and number of hours to be assigned to each proposed segment of the engagement **without dollars**.
- (3) Sample methodology and the extent to which sampling is to be used in the engagement.
- (4) Extent of software to be used in the engagement.
- (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 and certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with AOA.

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The cost proposal must contain all 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.

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.

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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.
- 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:

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- 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 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 DSHA. DSHA reserves the right to incorporate standard State of Delaware contractual

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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 DSHA. The firm must be referred to as “Contractor” in the agreement.

The selected firm will be expected to enter negotiations with DSHA, 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 DSHA must be determined by DSHA. The agreement may be terminated by DSHA at any time by giving written 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. DSHA may withhold any payments to Contractor for the purpose of set off for such damages.

B. Compensation

DSHA 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 DSHA 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 DSHA for approval. Any additional work outside the contract or for additional fees related to the contract is not permitted without DSHA’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 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.

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C. Notice of Termination

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

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

Douglas Croft
Assistant Director, Financial
Management
18 The Green
Dover, DE 19901

D. Formal Contract

The successful firm must promptly execute an agreement incorporating the terms of this RFP within twenty business days after the award of the contract.

E. 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.

F. 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.

G. Data Release Agreement

The Contractor ensures that there is no inappropriate use of State of Delaware information at any time. At no point will any information obtained for the purposes of this engagement be used in any transaction that does not include AOA. The firm

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may not use any personal information collected in connection with the service issued from this proposal for any purpose other than fulfilling the service. The Contractor must agree to the terms specified in Appendix C prior to the commencement of the engagement.

H. 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. 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. 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.

I. Breach Notification

The Contractor must inform the State of Delaware of any security breach or detection of any suspicious intrusion that has occurred that jeopardizes the State of Delaware data, information, 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. In addition, if the breach requires public notification, all communication shall be coordinated with AOA and the Delaware Security Breach Notification laws located at 6 Del. C. c. 12B shall be followed. The firm will cover the costs of response and recovery from a data breach.

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.

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,

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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, DSHA must have the right to annul the contract without liability or at its discretion to deduct from the contract cost or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

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N. Contract Documents

The RFP, the Purchase Order and the executed Agreement between DSHA and the successful firm must constitute the Contract between DSHA 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 DSHA 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 DSHA immediately. DSHA and the firm will discuss the issues and develop a solution for completing the engagement.

If it must become necessary for AOA or DSHA 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 DSHA and the firm. Any such additional work agreed to between AOA or DSHA 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 perform additional work, the AOA liaison must approve any additional hours **before** they are incurred.

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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 DSHA.

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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 _____

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Appendix C

Data Release 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. |
| 2 | The Contractor will ensure that there is no inappropriate use of State of Delaware information at any time. To this end, the firm shall comply with the following conditions: At no time will any information, belonging to or intended for the State of Delaware, be copied, disclosed, or retained by Contractor or any party related to Contractor for subsequent use in any transaction that does not include the State of Delaware. Contractor may not use any personal information collected in connection with the service issued from this proposal for any purpose other than fulfilling the service. |
| 3 | Contractor will account for all copies of the State of Delaware data. |
| 4 | 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. In addition, if the breach requires public notification, all communication shall be coordinated with the State of Delaware. The Contractor will cover the costs of response and recovery from a data breach. |
| 5 | The Contractor must encrypt all data in transit via Secure FTP. |
| 6 | 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. |

Contractor:

| | | | |
|------------|-------|-----------|------|
| Print Name | Title | Signature | Date |
|------------|-------|-----------|------|

State of Delaware:

| | | | |
|------------|-------|-----------|------|
| Print Name | Title | Signature | Date |
|------------|-------|-----------|------|

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Appendix D

Frequently Asked Questions

1. What were the fees and hours needed to complete the prior year engagement?

The prior year audit fees were \$116,300 and included approximately 880 hours.

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.

2. Is there a prior report?

The Delaware State Housing Authority Basic Financial Statements and Supplemental Information for the Fiscal Year Ended June 30, 2012, Including Requirements of the Single Audit Act and Independent Auditor's Reports have been issued and are available at auditor.delaware.gov.

3. Did any event occur that would make the current year engagement significantly different from the prior year?

During Fiscal Year 2013, DSHA was notified of a federal HUD award of \$5.1 million over 5 years to provide rental vouchers to the handicapped/disabled under the Section 811 program. DSHA has not spent any of these funds yet in Fiscal Year 2013.

DSHA was also awarded \$8.9 million under the Mortgage Settlement Foreclosure Program. This award is not federal or State, but rather a settlement with the various States Attorney Generals and the large mortgage lending institutions as a result of the most recent mortgage crisis. This program has already spent over \$1 million in Fiscal Year 2013.

4. The RFP 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 [State] license and a copy of the [State] licenses for the Partner, Manager, and Supervisor in the proposal?

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

5. What do you want to see in the proposal pertaining to Affirmative Action? Can we simply say that we have an Affirmative Action Policy? What identifying information on engagement staff is needed regarding Affirmative Action?

Yes, you may state that you have an Affirmative Action Policy. The RFP states, "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."

6. Can we include an insurance binder showing our limits to satisfy the proof of Insurance requirement?

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Appendix D

Yes, however AOA will require the selected firm to provide evidence of actual insurance prior to the contract being signed.

7. 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.

8. What assistance is given to the auditors during the audit?

Per the RFP, “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.”