

SELECTION OF THE INDEPENDENT AUDITOR

**TWO PART REQUEST FOR PROPOSAL FOR AUDITING SERVICES
BY THE DURHAM CENTER**

Request for Proposal

The Durham Center (the “unit”) is soliciting proposals from CPA firms to provide consulting services starting March 1, 2012 and an audit for the year ended June 30, 2013. We invite your firm to submit proposals to us by no later than January 20th for consideration. Please see the description of services below.

The Durham Center, local management entity for mental health services in Durham County, will be separating from Durham County and merging with Wake County’s local management entity July 1, 2012. From the period July 1, 2012 through December 31, 2012 the merged entity will be operating as a multi county local management entity. January 1, 2013 the entity will begin operations as a managed care organization (MCO) under the Medicaid waiver 1915(b)(c). We observe a June 30th fiscal year end and require audited financials to be issued to our Board of Directors by October 31st each year.

Your proposal is expected to include the following services:

- 1) Consulting services relating to implementation of financial policies and procedures and internal controls for the merged entity starting in March 2012 as well as consultation on other issues as needed.
- 2) Annual audit of The Durham Center/Wake County merged entity (multi county local management entity/MCO) as of June 30, 2013.

There is no expressed or implied obligation for The Durham Center to reimburse firms for any expenses incurred in preparing proposals in response to this request.

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with this RFP shall govern in any resulting contract(s) unless approved otherwise in writing by The Durham Center. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Durham County, North Carolina.

Type of Audit

The audit will encompass a financial and compliance examination of the unit’s basic financial statements, supplementary information and compliance reports in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; Government Auditing Standards; the Single Audit Act of 1984; the Single Audit Act Amendments of 1996; the provisions of OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, including revisions published in Federal Register June 27, 2003; the State Single Audit Implementation Act; and all other applicable laws and regulations.

Period

The unit intends to continue the relationship with the auditor for no less than three years on the basis of annual negotiation after the completion of the first year contract. Each year after negotiation has

taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. The multi county local management entity/MCO reserves the right to request proposals at any time following the first year of this contract. Thus, prepare proposals for the following years, with Year one being the only obligated year:

July 1, 2012 to June 30, 2013

July 1, 2013 to June 30, 2014

July 1, 2014 to June 30, 2015

Requirements

The audit must be conducted in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; Office of Management and Budget Circular No.A-133, Audits of States, Local Governments, and Non-Profit Organizations; the State Single Audit Implementation Act, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP.

The auditor will be ultimately responsible for the preparation, typing, proofing, printing, and copying of the Basic Financial Statement, supplementary information and compliance reports. The multi county local management entity/MCO's Finance Director will be actively involved in the Management Discussion & Analysis, and other schedules section preparation. The auditor will submit a draft of the Financial Statement to be reviewed in detail by the Finance Director. This draft should be submitted to the multi county local management entity/MCO in time to allow ample review and corrections. The timing of this should ensure final completion of the Financial Statements no later than the annual October 31st deadline.

Year end fieldwork should begin in mid-August and be completed by September 15th. An agreed upon post-closing trial balance must exist by September 30th. The Finance Director will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

The audit report, basic financial statements, supplementary information and compliance reports must be completed and reports rendered four months following the fiscal year end (October 31).

A preliminary draft of the audit report, basic financial statements, supplementary information, compliance reports and required journal entries must be submitted to the Finance Director by October 15th for proofing and reconciliation to the unit's records.

Twenty-five copies of each audit report, management letter, and other applicable reports must be supplied to the Finance Director within the time frame cited above. In addition, the auditor is responsible for submitting the required two copies to the staff of the Local Government Commission (LGC). Any other copies required will be charged on an as needed basis in addition to the quoted fee.

The financial audit opinion will cover the financial statements for the governmental activities, each major fund, and the remaining fund information, and the respective changes in financial position and the cash flows, where appropriate, and the respective budgetary comparison for the general fund and

the major governmental funds which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. An opinion will not be given on the Management Discussion and Analysis.

The working papers shall be retained and made available upon request for no less than three years from the date of the audit report.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and Finance Director and then forwarded to the staff of the LGC for approval.

The independent auditor will be available to meet with the Finance Committee of the multi county local management entity/MCO when required.

Audit Contract & Payment of Audit Fees

The audit contract must be approved by the staff of the Local Government Commission. Invoices are subject to approval by the LGC staff and the appropriate Grantor Agency, if applicable, prior to processing by the unit. Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the staff of the Local Government Commission and their approval of the audited financial statements.

Other Services

The auditor will prepare, type, print and bind the audited financial statements, supplementary information and compliance reports. The auditor will submit a draft for review by the Finance Director. The Finance Director will return the draft with proposed revisions.

The auditor will present the results of the audit and the basic financial statements, supplementary information and compliance reports at the Board meeting in November of each year.

The auditor will provide consulting on financial policies and procedures, internal controls and other matters related to the organization as required annually.

Description of Selection Process

Five copies of each section of the proposal should be submitted at the time and place indicated under the section entitled "Time Schedule for Awarding the Contract."

Proposals will be submitted in two sections. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits.

The finance department staff will evaluate the auditor/firm on educational and technical qualifications. The top three firms from the first section will have their second section opened and evaluated. The firm best meeting multi county local management entity/MCO's expectations for experience, audit approach, and cost requirements will be selected.

Please keep in mind that cost, while an important factor will not be a sole determining factor. Unusually low bids that are obviously out of line with other bidders or are significantly lower than expected will raise concern. The lowest bid will not automatically be awarded preferential consideration.

The Finance Director may be contacted only to clarify questions concerning the RFP.

The multi county local management entity/MCO reserves the right to reject any or all bids, waive technicalities, and to be the sole judge of suitability of the services for its intended use and further specifically reserve the right to make the award in the best interest of the multi county local management entity/MCO. We reserve the right to award one firm both audit and consulting services or award two firms.

Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid.

First Section

The first section should address the requested information below. The corresponding responses should begin with the number below for the requested information.

1. Indicate the number of people (by level) located within the local office that will handle the audit.
2. Provide a list of the local office's current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each.
3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.
4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.
5. Describe the professional experience in governmental audits of each senior and higher level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site.
6. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.

7. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., human services, behavioral healthcare agencies, or health authorities).
8. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.
9. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for a reference.
10. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), January 2007 Revision. Provide a copy of the firm's Statement of Policy and Procedures.
11. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
12. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

Second Section

Proposals should include completed cost estimate sheets and any other necessary cost information in a separate, sealed envelope marked – "Cost Estimate." The Durham Center plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.

This second section should consist of completed cost estimate sheets, which will include the following information:

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of computer audit specialists.
4. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
5. Information that will be contained in the management letter.
6. Assistance expected from the multi county local management entity/MCO's staff, if other than outlined in the RFP.
7. Tentative schedule for completing the audit within the specified deadlines of the RFP.
8. Specify costs using the format below for the audit year July 1, 2012 to June 30, 2013. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2013 is

binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to exceed” amount. Also include a summary of audit costs on the sheet provided.

A. Personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.

1) Estimated hours – categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor’s office.

2) Rate per hour.

3) Total cost for each category of personnel and for all personnel costs in total.

B. Travel – itemize transportation and other travel costs separately.

C. Cost of supplies and materials – itemize.

D. Other costs – completely identify and itemize.

E. If applicable, note your method of determining increases in audit costs on a year to year basis.

9. Specify costs using the format below for consulting services relating to the implementation of financial policies and procedures and internal controls for the merged entity starting in March 2012 as well as consultation on other issues as needed. If preferred provide an estimate of consulting services based on retainer including the different categories of personnel included.

A. Personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.

1) Rate per hour.

2) Total cost for each category of personnel and for all personnel costs in total.

B. Travel – itemize transportation and other travel costs separately.

C. Cost of supplies and materials – itemize.

D. Other costs – completely identify and itemize.

10. Please list any other information the firm may wish to provide.

Time Schedule for Awarding the Contract

Action	Deadline
Requests for Proposals Issued – Email/Internet	December 22, 2011
Legal Notice Published	December 23, 2011
Pre-bid Conference at 414 East Main Street	January 4, 2012, 1:30 pm
Final Deadline for Receipt of Proposals	January 18, 2012
Evaluation	January 18-February 2, 2012
Award Notification to all Bidders	February 3, 2012

Proposals signed by authorized officials will be received by Sara Pacholke, Finance Director at 414 East Main Street, Durham, North Carolina 27701. Envelopes containing proposals should be clearly identified on the front with the words “RESPONSE TO RFP FOR AUDIT SERVICES”. The Finance Office will review the proposals and make a recommendation to the Durham Center Finance Committee. The Finance Committee will do their independent review and make recommendation to the full board of the Area Authority at their meeting on February 2, 2012. The chosen audit firm will be contacted the following day and the contract awarded.

Any questions should be directed to Sara Pacholke, Finance Director at spacholke@durhamcountync.gov.

Description of the Multi County Local Management Entity/MCO and Its Accounting System

Entity

The Durham Center is a local management entity for mental health services in Durham County. The Durham Center will be separating from Durham County and merging with Wake County’s local management entity July 1, 2012, creating a new merged entity. From the period July 1, 2012 through December 31, 2012 the merged entity will be operating as a multi county local management entity. January 1, 2013 the entity will begin operations as a managed care organization (MCO) under the Medicaid Waiver 1915(b)(c). The Durham Center currently operates as an Area Authority under Durham County. Currently the financial functions go through Durham County’s finance department. Therefore as of July 1, 2012 the newly created merged entity will have to implement financial and accounting reporting software, policies and procedures and internal control processes for all financial functions.

Please note that at this time, all information included below regarding financial data is an estimate.

Accounting Records

The new merged entity will be located at locations to be determined and all accounting records will be maintained at the corporate office. The entity will be newly created and therefore will not have accounting records until July 1, 2012. The merged entity will maintain its cash receipts journal, cash disbursements journal, general ledger, and accounts receivable ledger in Great Plains Dynamics software.

Funds:

The multi county local management entity/MCO will maintain the following funds as of July 1, 2012:

Governmental Funds:

General Fund

Budgeted revenues are estimated at \$33 million in FY 2011/2012 and \$700 million in FY 2012/2013. To implement the merged entity there will be approximately \$8 million in outstanding debt starting July 1, 2012.

Grants, Entitlements, and Shared Revenues

The Durham Center currently has the following grants*:

\$300,000 HUD annual grant

\$6,000,000 SAMHSA 6 year grant

\$193,000 Path Homeless block grant

\$103,000 Community Mental Health block grant

\$962,000 Prevention and Treatment of Substance Abuse block grant

*Wake County grant information is currently being obtained

Budgets

As required by the North Carolina Budget and Fiscal Control Act, the multi county local management entity/MCO will adopt an annual budget ordinance for all funds except those authorized by project ordinance.

Reporting Requirements

In accordance with North Carolina General Statutes, governmental funds of the multi county local management entity/MCO are maintained during the year using the modified accrual basis of accounting. The government-wide financial statements are reported using the accrual basis of accounting. The government funds are reported using the modified accrual basis of accounting.

Assistance Available to Auditor

The multi county local management entity/MCO will make available to the auditor sufficient help to pull and re-file records, and prepare and mail all necessary confirmations. A preliminary trial balance with budgeted amounts will be made available electronically at the beginning of the audit process and a final trial balance with budgeted amounts will be made available electronically no later than September 30th. The following accounting procedures will be completed and documents prepared by the multi county local management entity/MCO:

The general ledger and trial balance will be balanced.

All subsidiary ledgers will be reconciled to control accounts.
All bank account reconciliations for each month will be completed.

The multi county local management entity/MCO's personnel will prepare requested items per a client assistance list (PBC list).

Size and Complexity of Unit

Personnel/Payroll

Number of employees (estimated): 120 as of July 1, 2012, 380 as of June 30, 2013

Frequency of payroll: Bi-weekly (outsourced to payroll provider)

Number of payroll direct deposit advises: 100%

Contracts

Number of provider contracts (estimated): 3,000

Number of vendor contracts (estimated): 40

Bank Accounts

Number of bank accounts (estimated): 6 (1 main account, 5 zero balance accounts)

Average monthly activity:

Estimate of 3,000 ACH electronic payments to providers each month

Estimate of 2 incoming wire transfers per month

Estimate of 3-5 ACH credits for funding

Estimate of 200 manual checks printed on blank check stock through our financial and accounting reporting software

Contact information:

Sara Pacholke, CPA
Finance Director
The Durham Center
414 East Main Street
Durham, North Carolina 27701

Phone: 919-560-8954

Fax: 919-560-7240

Email: spacholke@durhamcountync.gov

SUMMARY OF AUDIT COSTS SHEET

1. Base Financial and Compliance Audit Includes Personnel costs, travel and on-site work	\$ _____
2. Financial Statement Preparation	\$ _____
3. Extra Audit Service	
\$ _____ per hour	\$ _____
4. Other (explain) _____	\$ _____
5. Other (explain) _____	\$ _____
TOTAL	\$ _____