



North Carolina State Board of Certified Public Accountant Examiners

Request for Proposal for Selection of an Audit Firm RFP# CPA-AUD-17

Dear Proposed Vendor:

You are invited to submit a proposal for our Request for Proposal for Selection of an Audit Firm to provide annual audit services in accordance with the requirements set forth in the attached *request for proposal* (RFP).

The North Carolina State Board of Certified Public Examiners (Board) is an independent state agency. It is an occupational licensing board authorized by Chapters 93 and 93B of the North Carolina General Statutes. The Board's primary responsibilities are to administer the Uniform CPA Examination, to grant CPA licensure to qualified persons, to register CPA firms, and to enforce all appropriate statutes and rules in oversight of its licensees.

The Board's accounting system and audit requirements are described in the attached RFP. Should you have more specific questions on the Board's financial operations to allow you to more fully respond to the RFP, you should direct all questions in writing by email to dnance@nccpaboard.gov.

The original and two copies of your proposal must be received not later than March 3, 2017 by 2:00 p.m. or your proposal will otherwise be disqualified. The proposals will be reviewed with a recommendation going before the Board's Audit Committee by March 10, 2017 with the recommendation of the selected vendor going to the full Board at its March 22, 2017 scheduled meeting. All bidders, whether they are successful or unsuccessful, will be notified of the results.

I will be the single point of contact for all inquiries and correspondences.

I thank you for your time, effort, and interest in our Selection of an Audit Firm proposal.

Sincerely,

David R. Nance, CPA
Deputy Director

Attachment: RFP # CPA-AUD-17

TECHNICAL MEMORANDUM

No. CPA-AUD-17

SELECTION OF THE INDEPENDENT AUDITOR

TWO PART REQUEST FOR PROPOSAL FOR AUDITING SERVICES

BY

NORTH CAROLINA STATE BOARD

OF

CERTIFIED PUBLIC ACCOUNTANTS

REQUEST FOR PROPOSAL

The North Carolina State Board of Certified Public Accountants (hereinafter called the “Board”) invites qualified independent auditors (hereinafter called “auditor”) having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for the Board 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 Board. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Wake County, North Carolina.

Type of Audit

The audit will encompass a financial examination of the Board’s basic financial statements, footnotes, and supplementary information 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 statements will be audited in accordance with auditing standards generally accepted in the United States of America.

Period

The Board intends to continue the relationship with the auditor for no less than three years on the basis of annual review and renewal after the completion of the first year contract. Each subsequent year renewal will be subject to the original contract documenting the terms of the audit. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board review and approval. The Board 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:

April 1, 2016 to March 31, 2017

April 1, 2017 to March 31, 2018

April 1, 2018 to March 31, 2019

Requirements

The audit must be conducted in accordance with auditing standards generally accepted in the United States. The financial statements will be prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local governmental entities.

The Board is reported as a nonmajor enterprise fund since State law requires that occupational boards recover their costs of providing services, including capital costs, through fees and charges rather than taxes or similar revenues (GASB Statement #34, paragraph 67b). Statewide accounting policies are established by the North Carolina Office of the State Controller, and thus, apply to the Board.

The required financial statements of the Board are:

- Statement(s) of Net Position
- Statement(s) of Revenues, Expenses, and Changes in Net Position
- Statement(s) of Cash Flows

The financial statements of the Board are presented using the economic resources measurement focus and the accrual basis of accounting. The financial statements include all relevant GAAP financial statements, note disclosures, and required supplementary information, including management's discussions and analysis (MD&A). The MD&A discusses all topics required by GAAP.

It should be noted that FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* (FAS-116, *Accounting for Contributions Received and Contributions Made*) and ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements* (FAS-117, *Financial Statements of Not-for-Profit Organizations*) are not applicable to governmental organizations, and are therefore not appropriate accounting standards for occupational boards.

The Board Deputy Director will prepare draft financial statements, inclusive of year-end adjusting journal entries. The draft financial statements will include the MD&A as prepared by the Board Deputy Director.

The audit report must be submitted to the Board's oversight State entities within four months following the March 31st fiscal year end. As such, the audit report must be finalized, presented, and approved by the Board not later than the July meeting such that the Board can comply with its July 31st statewide financial reporting requirements.

Based on the above requirements, the Board requests that all fieldwork be completed in sufficient time that proper reviews can occur by both the Board staff and Audit Committee prior to presentation to the full Board; however, the Board will work with the auditor to establish an adequate timeframe for the audit to occur. The Board Deputy 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 at the completion of fieldwork.

The auditor will submit a draft of the audit report to be reviewed in detail by the Board Deputy Director and the Board's Audit Committee. This draft should be submitted to the Board in time to allow ample review and clarifications. The timing of this should ensure final completion of the audit report no later than the Board established July 31st deadline.

In accordance with North Carolina Session Law 2012-142, "Each audit report prepared for a State agency by a Certified Public Accountant shall itemize the number of hours used in conducting the audit and in preparation of the audit report and the total cost of conducting the audit and preparing the audit."

The auditor should provide ten (10) copies of the audit report, management letter, and other applicable reports to the Board Deputy Director within the timeframe cited above. In addition, the auditor shall provide the Board with an electronic copy of the report for distribution purposes. Electronic copies are required for submission to the Office of the State Auditor, the Office of the State Controller, and other applicable state oversight entities.

The financial audit opinion will cover the basic financial statements. The supplemental information 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 five years from the date of the audit report. The Office of State Auditor will be permitted to review the audit documentation for the engagement upon request.

Audit Contract & Payment of Audit Fees

The audit contract must be approved by the Board. Invoices are subject to approval by the Board Deputy Director. Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the Board and its approval of the audited financial statements.

Other Services

The auditor will prepare, type, and print the audited financial statements. The auditor will submit a draft for review by the Board Deputy Director and the Audit Committee. The Board Deputy Director will return the draft with proposed revisions within 5 working days.

Description of Selection Process

Three (3) copies of each section of the proposal should be submitted at the time and place indicated under the section entitled "Time Schedule for Awarding Contract."

Proposals will be submitted in two (2) sections. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits. The Board Deputy Director will initially evaluate the auditor/firm on educational and technical qualifications and provide recommendations to the Audit Committee. The top three (3) firms from the first section will have their second section opened and evaluated. The firm best meeting the Board 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. The first priority in evaluating proposals will be for obtaining a quality audit. Unusually low bids that are out of line with other bidders or bids that are significantly lower than our current fees might raise concerns. The lowest bid will not automatically be awarded preferential consideration.

The Board requests that no Board officials be contacted during this process. The Board Deputy Director may be contacted only to clarify questions concerning the RFP.

The Board 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 Board.

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. Provide a listing of key personnel who will be performing the audit and their qualifications. This should include a description of the professional experience of individuals assigned to the audit. This could include continuing professional education courses attended in the past three years, particularly those related to governmental accounting and auditing.
2. Provide the anticipated staff hours to be used in conducting the audit. If possible, staffing hours should be identified by the various levels of staffing that will be assigned to the audit.
3. Provide a list of similar current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each. Provide names, addresses, and telephone numbers of personnel of those current and prior governmental audit clients who may be contracted for a reference.

4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Provide a copy of the firm's most recent peer review.
5. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
6. You may provide a brief description of your firm's anticipated audit process and any expectations of the Board staff in the performance of the audit services.

Second Section

Proposals should include a completed audit cost proposal and any other necessary cost information in a *separate, sealed* envelope marked – “Audit Cost Proposal.” The Board plans to evaluate the qualifications of all firms submitting proposals before considering the Audit Cost Proposals.

Specify costs using the format provided within this RFP for the audit year April 1, 2016 to March 31, 2017. For the two audit years that follow, please list the proposed costs. The cost for the audit year ending March 31, 2017 is binding, while the second and third years are proposed costs subject to approval and continuation of the audit contract by the Board.

Time Schedule for Awarding the Contract

Request for proposal packages will be available on the Board's website as of **February 3, 2017**. Proposal packages will be mailed to previous respondents on file with the Board's office.

Please acknowledge the receipt of this request for proposal and/or your intent to respond with a proposal by **March 3, 2017**.

Any questions about the RFP should be directed to David R. Nance, Board Deputy Director, at (919) 733-4215 or dnance@ncepaboard.gov. Appointments may be scheduled to discuss further any specific matters necessary in preparing your proposal.

Proposals signed by authorized officials will be received by David R. Nance, Board Deputy Director at the address listed below until **March 3, 2017** at **2:00 p.m.** Envelopes containing proposals should be clearly identified on the front with the words “RESPONSE TO RFP FOR AUDIT SERVICES”. The Board Deputy Director will review the proposals and make a recommendation to the Audit Committee on **March 10, 2017**. The Audit Committee will make its recommendation to the full Board at its **March 22, 2017** regularly scheduled Board meeting. A contract will be awarded to the approved auditor.

Contact information:

Name: David R. Nance, CPA
Title: Deputy Director
Address: North Carolina State Board of Certified Public Examiners
1101 Oberlin Road, Suite 104 – Post Office Box 12827
Raleigh, NC 27605

Phone: (919) 733-4215
Fax: (919) 733-4209
Email: dnance@nccpaboard.gov

Description of the Board and Its Accounting System

Entity

The North Carolina State Board of Certified Public Accountant Examiners (Board) is an independent State agency. It is an occupational licensing board authorized by Chapters 93 and 93B of the North Carolina General Statutes. The Board is composed of seven members: five persons who are holders of valid and unrevoked certified public accountant certificates issued under the provisions of Chapter 93, and two persons who are not certified public accountants and represent the public at large.

The Board's primary responsibilities are to administer the Uniform CPA Examination, to grant certificates of qualification as certified public accountants to qualified persons, to register certified public accounting firms, adopt and enforce the Rules of Professional Ethics and Conduct to be observed by CPAs in this State, and to enforce all statutes and rules of North Carolina General Statutes Chapter 93 and the North Carolina Administrative Code, Title 21, Chapter 08.

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Comprehensive Annual Financial Report (CAFR)*. The Board's financial statements are separate and apart from those of the State of North Carolina and do not present the financial position of the State.

Budgets

The Board prepares an annual budget, with budgeted revenues and expenses of \$2,850,000 estimated for the year ended March 31, 2017. The Board prepares monthly budget-to-actual statements to monitor its budgeted activities. Schedules of Budget and Actual are included in the Board's annual audit report as supplementary information.

Accounting Records

The Board maintains all its accounting records at the Board office located at 1101 Oberlin Road, Raleigh, NC. The Board uses QuickBooks as its accounting software.

Assistance Available to Auditor

The Board will make available to the auditor sufficient help to pull and re-file records, and assist with obtaining all necessary confirmations. The Deputy Director will provide the auditor with an audit package to include the draft financial statements, footnotes, MD&A, and supporting schedules for audit. A trial balance will be made available via Excel (or hard copy, e-mail, etc.). The auditor may also obtain a copy of the Board QuickBooks electronic file if necessary.

The books of account will be fully balanced.

All bank account reconciliations for each month will be completed.

AUDIT COST PROPOSAL

Proposed Audit Fee:

Inclusive pricing including personnel costs, travel, and all other costs related to finalizing the audit

April 1, 2016 to March 31, 2017	\$ _____
April 1, 2017 to March 31, 2018	\$ _____
April 1, 2018 to March 31, 2019	\$ _____