

**GUIDELINES FOR  
PREPARATION  
OF  
REQUESTS FOR PROPOSALS**

## Acknowledgements:

This document was prepared using information contained in the following:

Guidelines for Preparation of Requests for Audit Proposals, Western Intergovernmental Audit Forum, April 1988.

How to Avoid a Substandard Audit: Suggestions for Procuring an Audit, National Intergovernmental Audit Forum, May 1988.

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## CHAPTER 1 - INTRODUCTION

### INTENDED USE

This Guide is intended for use by all local governmental entities, including cities, counties, school districts, as well as state government agencies, and Regional Commissions in contracting for professional financial and compliance auditing services. Such entities should seek out qualified independent auditors by sending a Request for Proposals (RFP) in a form that will result in comparable and comprehensive proposals to assure that audit services are provided as specified in the request. Another important aspect in using the RFP process is that it provides certain assurances that competitive review and selection procedures were applied in contracting for the audit.

It is essential that requests for proposals for auditing services be comprehensive and cover all matters, issues, and subjects that have a bearing on the audit. Information about the entity to be audited and necessary elements of the audit requirements must be provided to the independent auditors to assure clear and complete responses. Interested respondents usually respond to requests for proposals with a detailed audit proposal which outlines the firm's qualifications, references, proposed audit work plan, and the price of doing the audit. However, RFPs issued by local governments and the audit proposals submitted in response to those requests often differ widely in style and scope. Because of such wide differences in RFPs, auditors may find them difficult to understand or may respond with a work plan that does not meet all audit requirements. These guidelines establish a reasonable degree of consistency in form and content of the Request for Proposals and of the expected response from independent auditors.

Governmental entities should seriously consider engaging the independent auditor for longer than a single year audit, perhaps for a three- to five-year period. The longer period would enable the auditor to gain insights into the entity being audited that in turn should produce certain economies and audit efficiencies from the longer engagements. Contract documents should fully comply with legal requirements concerning extended service periods. Letters of understanding may be appropriate

when multi-year engagements are desirable but where conditions preclude other than single year service contracts.

These guidelines are stated in general terms to provide service requesters flexibility in tailoring each request for proposals to reflect their specific needs and requirements. They also give recognition to differences in relative size of an audit engagement.

These guidelines are not intended for performance audits in which the economy, efficiency and effectiveness of operations or program results are to be measured or evaluated.

Regardless of the type or size of public entity, an effective audit can improve government operations and yield significant dollar savings. Selecting a qualified auditor will help achieve the benefits of an effective audit and avoid wasting resources on auditors that are not likely to produce a quality audit. Taking steps to ensure a quality audit is especially important in light of a General Accounting Office report<sup>1</sup> that identified 34 percent of CPA audits as substandard. Another GAO report<sup>2</sup> disclosed that entities with ineffective procurement systems stood a 46 percent chance of receiving a substandard audit; that figure dropped dramatically to 17 percent for entities that followed systematic audit procurement practices. More recently, the results of the National Single Audit Sampling Project found that an estimated 48.6 percent of the entire universe of single audits were acceptable, 16.0 percent were of limited reliability, and 35.5 percent were unacceptable and could not be relied upon.<sup>3</sup>

Government entities should select auditors only after considering the following five basic steps for an effective audit procurement process:

- planning (determining what needs to be done and when),
- communicating audit requirements and soliciting proposals (writing a clear and direct solicitation document and disseminating it widely),

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1 CPA Audit Quality: Many Governmental Audits Do Not Comply With Professional Standards (GAO/AFMD-86-33, March 19, 1986)

2 CPA Audit Quality: A Framework for Procuring Audit Services (GAO/AFMD-86-34, August 18, 1987)

3 Report on National Single Audit Sampling Project (President's Council on Integrity and Efficiency, June 21, 2007) Due to rounding, percentages reported do not add to exactly 100 percent.

- selecting a qualified auditor (authorizing a committee of knowledgeable persons to evaluate the ability of prospective auditors to effectively carry out the audit),
- writing the agreement (documenting the expectations of both the entity and the auditor), and
- monitoring the audit (periodically reviewing the progress of that performance).

This guide discusses these five steps of audit procurement. It also addresses the use of audit committees - independent committees composed of persons with knowledge of accounting, auditing, finance, or management - that, among other things, can assist entities in procuring audit services and overseeing the audit process. At the end of each section, the guide also addresses (1) the needs of small entities that normally do not have procurement systems that are as formal as those of states or large local governments and (2) special considerations when contracting for a Single Audit – required for many recipients of federal moneys. Finally, this guide includes a short bibliography of selected procurement guidelines. Keep in mind, however, that if any guidance provided conflicts with applicable laws or regulations or relevant grant conditions, the laws, regulations or conditions are controlling.

Both the RFP technique and the Invitation to Bid (ITB) technique are similar. They both require competitive bidding, require public notice, and require the submission of sealed responses. The major difference between the two methods is in the evaluation process that takes place after bids/proposals are received.

The ITB is the traditional method of soliciting bids for the acquisition of goods and/or services. This method requires that specification requirements be couched in precise, concrete terms (i.e., "shall be a minimum of ...", "shall be no more than ...", "shall be comparable to ...", etc.). Terms and conditions of the bid package must be equally concrete (i.e., "delivery must be made on or before ...", etc.). The responses to the ITB solicitation are required to be returned to a specific location, by a specific time. All responses received by the time and date set forth must be opened and read aloud in public. The evaluation of responses to an ITB is relatively simple and straight-forward. The

purchasing agent must first determine who met the specification requirements and then must determine which bidders were responsive to the terms and conditions of the ITB. The contract or order would then be awarded to the bidder who met all the specification requirements, agreed to abide by all the terms and conditions of the ITB, and was the low monetary bidder. Cost is generally the predominant factor in deciding the winner using the ITB technique.

The RFP process is similar to the ITB process with several major exceptions. Cost is generally not the predominant factor in award decisions. More emphasis can be placed on the offeror's capabilities to perform a proposed project (i.e., managerial experience in similar projects, technical capabilities demonstrated in performance of similar projects, the feasibility of the approach or plans proposed in response to the RFP requirements, etc.). Weighted factors can be applied to assist in the evaluation of the offeror's response.

The major difference in the handling of responses to an RFP solicitation versus those used in handling the responses to an ITB solicitation is that the responses to an RFP are kept confidential until an award has been made. At the time and date set for proposal opening, only the names of the offerors are made public. The contents of each offeror's response are not revealed to other competitors.

The specifications in an RFP package are generally divided into two sections -- mandatory requirements and desirable features. To be eligible for an award of a contract, an offeror must first meet all mandatory requirements. If it has been determined that an offeror has met all mandatory requirements, the desirable features that have been offered can then be evaluated. Weighted factors must be assigned to the desirable features to assist the evaluation team in scoring how well an offeror has responded to such features. A general reference to these factors must also be included in the RFP document for the offeror's information. Detailed evaluation criteria must also be developed by the government entity for use by the evaluation team members to assist them in evaluating and scoring responses.

Since the contents of the proposals are not revealed, the RFP solicitation technique allows for flexibility in the evaluation process that is not possible using the Invitation to Bid process. Under certain circumstances, where a response to a particular requirement is not clear, an offeror can be contacted and asked for clarification. This option is not available when the ITB solicitation technique is used. If an offeror fails completely to address a feature contained in the RFP document, no clarification can be solicited. If this failure was in response to a mandatory feature the offeror must be disqualified. If this failure was in response to a desirable feature of a proposed project, then such a failure would be scored in accordance with the weighting factors. If it becomes evident that changes become necessary to the specifications contained in the initial RFP document during the evaluation phase, all offerors can be contacted and asked for "best and final" offers (i.e., an offeror can be asked to respond to specific changes and provide both technical and cost impacts to their initial offer). This "best and final" offer cannot be used to begin an auction to determine if the offeror will lower prices.

## CHAPTER 2 - PLANNING

Planning to procure a quality audit requires time and attention. Nevertheless, resources a government entity spends on planning are likely to be rewarded by a smoother, more timely, higher quality, and often less expensive audit.

The following matters should be considered:

- Defining the entity to be audited. Governments and other public organizations are often composed of numerous smaller, sometimes legally separate entities. Decisions should be made regarding which of these units to include in the scope of the audit, taking into account any legal requirements and generally accepted accounting principles. To assist, the Georgia Department of Audits and Accounts has prepared guidance regarding the inclusion of certain component units in local government audit reports. This entity determination guidance is available on the Department's website.
- Delineating the scope of the financial audit. For audits of financial statements, a determination should be made on whether the auditor should limit the audit scope to the basic financial statements, the minimum allowable audit scope, or to extend the audit scope to cover additional statements, such as the combining and individual nonmajor fund financial statements and schedules. Additional guidance is available from the Government Finance Officers Association's Recommended Practice on Audit Procurement, available on GFOA's website.
- Determining the specific audit requirements. To determine the audit requirements of the government entity - a sometimes difficult task - it may be advisable to seek the assistance of knowledgeable persons. This assistance is ideally provided by an audit committee composed of people with backgrounds in accounting, auditing, finance, or management. Additional guidance is available from the Government Finance Officers Association's Recommended Practice on Audit Committees, available on GFOA's website. Entities without audit committees may want

to seek the assistance of other government personnel with specialized knowledge of accounting and auditing.

- Deciding on the appropriate auditing standards. While generally accepted auditing standards (GAAS) are used for both private and public sector audits, the government entity may be subject to grant terms, state statutes, federal regulations, or “Single Audit” requirements (Single Audit requirements, applicable to many organizations receiving federal funding, can be found in federal Office of Management and Budget Circular A-133). If these additional conditions apply, the government entity’s auditor may be required to follow generally accepted government auditing standards (GAGAS). Commonly referred to as the “Yellow Book”, these audit standards are issued by the Comptroller General of the United States. GAGAS build upon GAAS and involve additional auditor responsibilities, including special reporting on internal controls and on compliance with applicable laws, regulations, and provisions of contracts or grant agreements. It will be necessary to determine and specify the appropriate standards for the auditor to follow. Audits of Georgia local governments and Regional Commissions are required by State law to be conducted in accordance with generally accepted government auditing standards.
- Identifying the attributes necessary in an auditor. It is recommended that the personnel performing the audit have experience with audits of similar entities as well as continuing professional education in governmental accounting and auditing. Moreover, they should comply with applicable requirements for peer review and continuing professional education.
- Deciding how to evaluate prospective audit firms. Developing a systematic procedure for evaluating prospective auditors’ qualifications is essential. Although price is important, technical qualifications should be a critical criterion in selecting an auditor. Consideration should be given to:
  - ✓ Responsiveness of the bidder to the request for proposals
  - ✓ Past experience of the proposer, particularly auditing federal programs
  - ✓ Availability of proposer’s staff with professional qualifications and technical abilities
  - ✓ Results of the proposer’s external quality control reviews

- Reviewing legal requirements. It will be necessary to review applicable laws, regulations, and grant conditions to ensure that both the procurement process and the audit itself will meet legal requirements.
- Considering a multiyear agreement. The first year of an audit engagement usually involves significant start-up costs as auditors devote considerable time to learning about the entity and its internal control. Using this groundwork, the auditor may be able to perform the audit in less time and at less cost in the succeeding years. If authorized by law, a multiyear agreement - perhaps a 1-year agreement with the option to extend the agreement for up to 5 years - has two advantages: it enables an auditor to propose a price that takes into account the savings to be realized in subsequent years and it saves the entity the costs associated with repeating the selection process.
- Evaluating the auditor rotation option. Some people argue that changing auditors at the end of a multiyear contract infuses the audit process with fresh views and new perspectives. Others contend that these benefits can be achieved through internal rotation of audit staff and that maintaining a long-term, ongoing relationship with a particular auditor is more advantageous. A long-term relationship with an auditor, however, will not necessarily enable the entity to utilize appropriate competition to help ensure reasonably priced audits. It makes sense to carefully consider the advantages and disadvantages of auditor rotation as well as applicable legal requirements before setting a policy.
- Establishing a work schedule. A schedule should be established and agreed to by both the entity and the selected auditor, which sets forth dates by which certain milestones in the audit process must be reached. The only way to ensure the timely preparation and issuance of financial statements and related reports is to develop and adhere to such a schedule.

◆ **SMALL ENTITIES**

All of the foregoing suggestions - especially creating and using an audit committee - can help a small entity achieve a quality audit. Even the smallest organization can appoint a two- or

three-person audit committee that understands what is to be audited and how the audit should be performed.

## ❖ SINGLE AUDITS

Each government entity will need to determine whether they are subject to the provisions of the Single Audit Act [the Single Audit Act (Public Law 104-156) was enacted into law in July 1996 and replaced the Single Audit Act of 1984]. The Single Audit Act, as implemented by OMB Circular A-133, establishes supplemental audit requirements in the areas of internal control and compliance. In addition, it sets the funding thresholds for organizations subject to its requirements and the ways in which Federal programs are selected for audit coverage (“risk based approach”). This could significantly impact the scope of the audit, including increasing the complexity of the audit bidding/procurement process due to changing audit coverage of Federal programs.

OMB Circular A-133 requires auditees to follow the procurement standards set forth in OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, and Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations* (relocated to 2 CFR, Part 215). In addition to other requirements, these Circulars require auditees to make positive efforts to use small businesses, minority-owned firms, and women’s business enterprises. A good source of information concerning these requirements can be found at OMB’s website:

<http://www.whitehouse.gov/OMB/>

OMB Circular A-133 allows for the performance of a “Program-Specific Audit” when an organization expends Federal awards under only one Federal program and no requirement exists for a “financial statement audit” to be conducted. Otherwise, a Single Audit must be performed.

A good reference document to gain an understanding of the Single Audit requirements is the American Institute of Certified Public Accountants (AICPA) Audit Guide on Government Auditing Standards and Circular A-133 Audits.

## CHAPTER 3 – COMMUNICATING AUDIT REQUIREMENTS AND SOLICITING PROPOSALS

Full and open competition is basic to government procurement. Encouraging as many qualified auditors as possible to submit proposals for auditing the government entity increases the likelihood that a quality audit will be performed at a fair price. The government auditor's audit needs must be clearly communicated to potential proposers. This step is critical because auditors who do not clearly understand exactly what services the government entity needs might not respond at all, or they may base their response on invalid requirements.

There are many ways to solicit bids for an audit, but the most reliable method is a written request for proposal, or RFP. RFPs should be clearly written; set forth all terms, conditions, and evaluation criteria as well as the scope of the work required; and be sufficiently distributed and publicized to ensure full and open competition.

The use of an audit committee is advisable when writing an RFP. Committee members should have a clear understanding of both the audit function and the government entity's audit needs. Consideration should also be given to compiling a list of potential auditors from general and professional directories and from past experiences with audit firms. The listing should be reviewed to see if it includes small businesses, minority-owned firms, and women's business enterprises so that they are made aware of any audit opportunities. Maintaining an updated list makes it easy to distribute the RFP to the firms that are most likely to be interested in bidding on the audit. The Georgia Society of Certified Public Accountants (GSCPA) website (<http://www.gscpa.org>) offers an online CPA referral service. This referral service is a database designed to help users find a CPA to assist them with a variety of services. Users can select a CPA based on the following criteria: service location, industry, and services. The online database produces matches to meet the user's needs.

In addition to (or instead of) traditional mailing, government entities may want to post the RFP electronically on an official website so that prospective proposers can download the document. Websites such as the Georgia Local Government Access Marketplace (a joint effort of the Georgia Municipal Association and the Association County Commissioners of Georgia) assist local governments solicit bids for needed equipment and services. It may make sense (or even be a requirement) to publish a notice of the RFP in an official publication. Finally, the government entity may wish to contact the GSCPA to have notice of the RFP published in its periodical.

## ESSENTIAL ELEMENTS OF AN RFP

The prime consideration in preparing the RFP is that it contains enough information to provide auditors with a common basis by which to prepare proposals that address all audit needs. It is also important, however, to consult with the government entity's purchasing office and/or legal counsel to ensure that the RFP conforms with the laws, regulations, and grant terms applicable to the government entity. An evaluation by the Mid-America Intergovernmental Audit Forum of RFPs used by several states in soliciting audit proposals noted that “audit fees” typically accounted for 25 – 30% of the evaluation ranking, while the auditors’ qualifications, including the articulation of their ability to perform the audit, accounted for 70 – 75% of the evaluation ranking. At a minimum, the RFP should contain the following:

- the name and address of the government entity;
- the entity to be audited, scope of services to be provided, and specific reports, etc., to be delivered;
- the period to be audited (with explanation if the RFP calls for a multi-year procurement);
- the name and telephone number of a contact person at the government entity;
- the format in which proposals should be prepared;
- the address to which proposals should be delivered or sent;
- the date and time proposals are due;
- the number of proposal copies to be submitted;
- whether electronic submissions are acceptable (if so, be sure that procedures ensure that

electronic documents received are actually from the firms they purport to be from);

- the criteria to be used in evaluating the bids and their relative importance to each other;
- the method and timing of payment; and
- any other important points, including the consequences if due dates are missed or work does not meet audit standards.

The chances of receiving high-quality proposals will be enhanced by ensuring that the RFP:

- explains the work that the government entity does;
- explains what is to be audited (e.g., whether the combining and individual fund financial statements are excluded or included within the scope of the audit);
- describes in some detail the entity's accounting system, administrative controls, records, and procedures. The RFP should identify the availability of proposer access to staff and records upon request;
- identifies the appropriate auditing standards;
- informs prospective proposers if data from prior years (audit reports, management letters, etc.) will be available, whether major audit findings remain open from prior years, and whether any audits of subrecipients - other entities receiving grants from or through the government entity – are required;
- notifies prospective proposers of requirements for work paper retention and making the work papers available to the entity as well as to governmental auditors, if they request them;

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1. Name and address of entity issuing the RFP.
2. Name, address, title, and telephone number of person(s) to contact regarding questions.
3. Response due date and time deadline. Consequences of late responses.
4. Number of copies of response.
5. Contract period [year(s) to be audited]. Clarify if multiyear contract proposal.
6. Specific location and method of delivery of response. Specify sealed response/price requirements, if any.

7. Other stipulations and clarifications as required.

#### Introductory Information

The RFP package may include an introductory or preliminary section covering general explanatory information to clarify any special points or items of interest. For example, this section could be used to discuss preproposal (bidders') conference plans and procedures, as well as general information on evaluation of proposals and the bid opening and notification process. If used, the section would amplify on the detailed materials to follow in the package to enhance reader understanding. This section is optional. Its use may be dependent on the size and complexity of the audit.

#### Description of Entity and Records to be Audited

This section should contain detailed information, as follows:

1. Give needed general information such as type of government (chartered or general law), population, and budget size. Identify the component units included in the reporting entity, their size, their auditors, and their fiscal year operating period. Indicate when their financial statements and auditor's reports (if covered separately) will be available.
2. Specify the number and type of funds and the basis of accounting used during the year and at year's end. Specify differences in accounting among funds to be audited. Clearly identify whether the audit is to be conducted at the fund type level or the individual fund level.
3. Describe budget records, and state whether revenues, appropriations, and encumbrances are recorded in the accounting records. Indicate the magnitude of the financial activity, including the number and location of bank accounts, number of receivable accounts, number of employees, and payroll listings.
4. Describe systems, records, and procedures:
  - a. Note any available manuals, written policies, and procedures covering such items as cash, receivables, fixed assets, and liabilities.
  - b. Identify the major segments of the accounting records that are

- computerized and the availability of related system documentation. Also, identify hardware, operating system, and software packages.
- c. Describe internal audit program, staff size, and extent of internal audit coverage.
  - d. Identify individuals responsible for maintaining records and preparing reports.
  - e. Identify known problems related to the accounting system or the internal control, or other problems. State any known exceptions to generally accepted accounting principles or any other accounting problems.
  - f. In those rare cases where records cannot be made available for inspection during the proposal process, describe the condition and completeness of the records the auditor should assume in his proposal.
5. State whether copies of the prior year's audit reports, management letters, financial statements, and budget are available.
  6. Describe sub-recipient entities and related records to be audited.

#### Nature of Services Required

The scope of audit services being requested should be specified, indicating what type(s) of audits are required and any special scope requirements. The audit scope should be stated in detail in the Request for Proposals.

#### Financial and Compliance Audits Under the Single Audit Act

Under the Single Audit Act Amendments of 1996, Federal Public Law 104-156, each state and local government that expends \$300,000 or more in federal awards in a fiscal year is subject to the requirements of the Act and any implementing regulations prescribed by the U.S. Office of Management and Budget (OMB). Since passage of the Act, OMB has issued its Circular A-133 which outlines the single audit requirements. Governments expending awards under only one

program may elect to have a program-specific audit if the program's laws, regulations, or grant agreements do not require a financial statement audit. Governments that expend less than \$300,000 in a fiscal year in federal awards are exempt from audit requirements in the Single Audit Act and Circular A-133. The additional audit requirements imposed by the Single Audit Act and OMB Circular A-133 may be omitted from the RFP if the governmental unit is not subject to the Act. A.

#### Scope of the Audit

The Single Audit Act provides that:

1. The audit shall be made by an independent auditor. An "independent auditor" means (1) an external State or local government auditor who meets the independence standards included in generally accepted government auditing standards, or (2) a public accountant who meets such independence standards.
2. The audit shall be made in accordance with generally accepted government auditing standards. These standards are defined as the government auditing standards issued by the Comptroller General (GAO). The 1994 revision of the Government Auditing Standards (also referred to as the Yellow Book), as amended, should be used as reference.
3. The audit shall cover the entire operations of the state or local government, or at the option of that government, it may cover departments, agencies, and other organizational units that expended or otherwise administered Federal awards during the fiscal year provided that each such audit encompass the financial statements and schedule of expenditures of Federal awards for each department, agency, and organizational unit.

#### B. Requirements of the Auditor

OMB Circular A-133 specifies that the auditor shall:

1. Determine whether the financial statements of the auditee are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP);
2. Determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the auditee's financial

statements taken as a whole;

3. With respect to internal controls pertaining to the compliance requirements for each major program –
  - a. Obtain an understanding of such internal controls;
  - b. Assess control risk; and
  - c. Perform tests on controls unless the controls are deemed to be ineffective; and
4. Determine whether the auditee has complied with the provisions of laws, regulations, and contracts or grants pertaining to Federal awards that have a direct and material effect on each major program. A major program is defined as being a Federal program identified as such in accordance with the risk-based criteria. See OMB Circular A-133, Subpart E, paragraph 520 for specific criteria. Two exceptions are:
  1. When the total expenditures of the government's major programs are less than 50 percent of the government's total expenditures of all Federal awards, the auditor shall select and test additional programs as major programs as necessary to achieve audit coverage of at least 50 percent of Federal expenditures by the government; and
  2. Loan or loan guarantee programs are not subject to the limitations.

#### Financial Audit Only

If a governmental unit is exempt from the requirements of a single audit, a fiscal opinion, individual grant or contract audit may satisfy the needs of the audit. Also, most states, including Georgia, require both financial and compliance audits of local governments. Therefore, these audit requirements must be specified in the Request for Proposals, as follows:

#### Scope of Audit

An examination of and an auditor's report on the unit's financial statements or other fiscal documents in accordance with generally accepted auditing standards, other applicable audit guidelines, or the local government's specific audit requirements.

## Mandatory Qualification of the Auditor

The following information must be requested from all respondents:

1. An affirmation that the proposer is properly licensed for public practice as a certified public accountant. According to generally accepted government auditing standards (GAGAS), public accountants must be licensed on or before December 31, 1970, or working for a CPA firm to be eligible for engagement.
2. An affirmation that the proposer meets the independence requirements of the Government Auditing Standards: 1994 Revision, as amended, published by the U.S. General Accounting Office.
3. An affirmation that the respondent does not have a record of substandard audit work. (This can be determined by communicating with the Georgia State Board of Accountancy, 237 Coliseum Drive, Macon, Georgia 31217-3858, telephone (912) 207-1400). Requesters of audit services may wish to ask respondents for disclosure of positive enforcement actions, or other matters that may reflect on their professional qualifications.
4. An affirmation that the respondent meets any other specific qualification requirements imposed by state or local law. (Specifics should be detailed if applicable.)

## Period of the Audit

The audit proposal should clearly state the period to be audited. This may be a one year period or longer. If the period to be audited is for two or more years, the requester should specify that the entire period since the last audit must be covered.

## Term of the Engagement

As mentioned above, the term of the contract period covered in the RFP may be for a period different from the period to be audited. A Request for Proposals may cover an extended period of time which would, of course, span a series of audit periods.

Requesters may wish to consider engaging the independent auditor for more than one annual audit,

but also may wish to avoid extended engagements with the same auditor to assure auditor independence.

#### Exit Conference Requirements

The Request for Proposals should specify whether audit exit conferences are to be held and, if so, the contact person for setting up the meeting, where the meeting is to be held, and the persons with whom to meet. Conferences are a matter of individual preference and may also include progress reporting. The frequency of progress reporting conferences, and with whom and where, should also be established.

#### Assistance Available to Proposers

1. Give the name of the auditor who performed the most recent audit, the period covered, report date, and type of opinion. State whether previous audit working papers are available for inspection and where they are located. If the audit opinion was qualified, state whether the condition causing the qualification has been corrected.
2. State the names of the requester's staff available to assist the proposer by providing information and explanations.
  - a. State whether the accounting staff can prepare schedules, reproduce documents, pull documents, etc.
  - b. State whether any internal auditing time is available and whether internal audit reports are available.
  - c. State whether the data processing staff, equipment, and generalized user software are available for auditing purposes, and specify the make and model of the computer to be used and what type of operating system is used.
  - d. State whether legal counsel is available.
3. State the names and titles of officials who will issue representation letters for inventory evaluations, pledged assets, contingent liabilities, potential litigation, etc., if required.
4. State whether interfund and interdepartmental reconciliations have been made.
5. State the location of available work areas and equipment and its location in relation to the

records.

6. Give the place, date, and time of the bidder's conference. (A bidder's conference is advisable for large audits to save the requester's time answering individual questions about the RFP and also to guarantee equal treatment to each proposer. Immediately following the proposer's conference, the proposers can be shown the accounting and other applicable records.)
7. State whether conference questions will be responded to in writing and whether the RFP will be amended if necessary.
8. Identify the cognizant or oversight Federal agency and the name and address of the contact person.

### Reports Required

The Request for Proposals should specify the reports that are required at the conclusion of the audit, and the reports that are required to be submitted on the audit, including special reports (or copies of reports) to Federal, state, and other agencies. For example, the RFP must be tailored to fit the audit; however, if it encompasses a single audit, the requester should cite the following minimum requirements:

1. The audit report shall state that the audit was made in accordance with generally accepted government auditing standards.
2. The audit report shall include, at a minimum:
  - a. The auditor's opinion report on the financial statements and on a supplementary schedule of expenditures of Federal awards.
  - b. The auditor's report on compliance and on internal control over financial reporting based on an audit of financial statements.
  - c. The auditor's report on compliance and internal control over compliance applicable to each major program. This report must include an opinion (or disclaimer of opinion) on compliance.
  - d. A schedule of findings and questioned costs.
3. Other statements or reports to satisfy state and local governments' requirements. Individuals seeking guidance on local governments' requirements should consult Compliance Auditing in

Georgia Counties and Municipalities: A Practical Guide to State Laws for Auditors and Local Government Officials, written by Paul T. Hardy, Richard W. Campbell and Paul E. Glick. (For information, write Publications Program, Carl Vinson Institute of Government, University of Georgia, 201 North Milledge Avenue, Athens, Georgia 30602-5482.)

Separate management reports should be submitted with the above reports. With regard to fraud and illegal acts, Government Auditing Standards requires auditors to report relevant information (in writing) when the auditor concludes, based on evidence obtained, that fraud or an illegal act has occurred or is likely to have occurred. Government Auditing Standards, paragraphs 5.18 through 5.25 contain detailed information on these requirements.

A reporting matrix is presented as Appendix 3 to this guide to provide additional guidance on the required reports.

#### Time Requirements

An important consideration to bear in mind is that the RFP procedure should be completed in time to permit the auditor to commence preliminary work prior to the close of the period to be audited. Ideally, the auditor selection and contract award should be completed prior to or as early as possible into the audit period.

The following dates should be specified to the extent applicable. The RFP should state that the dates are firm unless waived in writing by an authorized person.

1. Date of bidder's conference.
2. Date and time for proposal submission. The preparation of audit proposals is an expensive, time consuming process for the proposer; therefore, a reasonable time must be allowed-- at least three weeks to a month.
3. Date, time, and place for selected proposer interviews, if desirable.
4. Date of contract award.
5. Dates audit work can be commenced:
  - a. Preliminary work prior to closing accounts.

- b. Postclosing work. (Some requesters may not want auditors working during closing.)
6. Date for preliminary report completion and exit conference.
7. Date for final report submission. The audit report normally should be submitted as soon as possible after the audit exit conference. Single audit reports are due within nine months after the end of the audit period unless extended by the cognizant or oversight agency. Reports required to be submitted to the State Auditor of Georgia by Regional Development Centers and local governments must be sent within 180 days after the close of the entity's fiscal year.

#### Contractual Arrangements

Provide general information about the contract to be awarded, including billing and payment arrangements, and contract cancellation provisions. Specify the period of the contract. Normally, a multiyear contract offers advantages to both parties. Multiyear contracts may not be legal in some jurisdictions; however, problems might be overcome by including the option to cancel in any of the following years. If the contract will be limited to one year, state the requester's intent regarding its renewal, perhaps by issuing a letter of understanding.

#### Report Review, Timing, and Number of Copies

The RFP package should clearly cover all requirements concerning procedures of reporting, frequency, number of copies, special reporting, etc., as follows:

1. Exposure draft submission for review by the auditee. The name of the individual responsible for reviewing and responding to the draft audit report should be stated.
2. Specify that management reports should be submitted as part of the audit report.

#### Working Papers

Audit working papers traditionally belong to the auditor; however, the RFP should:

1. Specify that the working papers will be retained for at least three years (more, if necessary).

2. Specify that the working papers will be available for examination by authorized representatives of the cognizant or oversight Federal agency, the General Accounting Office and of the requester.

#### Right to Reject

The RFP should state that the requester reserves the right to reject any and all proposals submitted and to request additional information from all proposers. It should also state that any contract awarded will be made to the independent auditor who, based on evaluation of all responses, applying all criteria and oral interviews, if necessary, is determined to be the best qualified to perform the audit.

During the solicitation process, it is helpful to schedule a bidder's conference with prospective offerors to allow them an opportunity to ask questions seeking clarification relative to the contents of the RFP document. Written questions may be required to be submitted prior to the bidder's conference; however, the government agency must be prepared to respond to "off-the-cuff" questions during the conference. Answers to questions may be deferred during the conference; however, all questions must be answered and answers provided to all prospective offerors in attendance (and all other offerors expressing interest in submitting a proposal) with the minutes of the conference. The government entity should also plan to have personnel attend the conference to answer technical questions that may be asked by the prospective offerors. Although the objectives of a bidder's conference could be accomplished by letters and individual conversations, bringing all bidders together at the same time to hear the same information is efficient and helps ensure that all bidders are treated equally. This is especially important, since unsuccessful bidders may challenge the procurement if their competitors were given significantly different or more information.

#### ◆ **SMALL ENTITIES**

Obtaining an extensive list of potential bidders may be difficult for small entities in rural areas. Soliciting lists from nearby, larger entities and from CPAs in the region that have experience with governmental audits often is helpful.

NOTICE

An RFP utilizing the recommended format has been developed by the State of Georgia, Department of Audits and Accounts, Local Government Audits Division. This RFP is available for use in Microsoft Word format by contacting Ed Blaha, Deputy Director, at (404) 651-5115.

## CHAPTER 4 - TECHNICAL EVALUATION

Once the due date for proposals has passed, the evaluation of bidders' qualifications can begin. The technical evaluation is important for two reasons:

- it provides a systematic framework for selecting an auditor on the basis of the government entity's established RFP criteria, and
- it documents that the auditor was selected fairly.

By comparing the government entity's requirements with the auditors' plans, skills, experience, commitment, and understanding of the audit requirements and then reviewing bidders' price proposals, the government entity will be able to select the firm that can provide the best audit at the fairest price.

To limit errors in judgment and to bring varied perspectives to the technical evaluation of the proposals, a proposal evaluation committee should be established. The committee should be composed of people with experience in accounting, auditing, budgeting, or another specialty field pertinent to the required audit work. The audit committee can also play an important advisory role in this process.

The proposal evaluation process should be a two-stage process. The initial stage involves the evaluation of the technical component of the proposals. The technical evaluation addresses the firms' technical qualifications and ability to perform the audit. Once the technical evaluation of proposals is completed, the cost component of the proposals should be considered. Although the price for the work to be performed is a significant factor in the selection of a qualified audit firm, the government entity will be more likely to get a high quality audit at a fair price if both price and technical ability are taken into account in selecting the successful bidder.

As a first step, all bidders must be required to meet certain minimum standards before evaluating either their technical qualifications or their price proposals. Doing so will spare the entity the

needless and time-consuming technical evaluation of firms that do not meet the requirements. These minimum standards can be determined by the laws governing the entity, its general internal policies, and its policies regarding specific audit engagements. However the requirements are delineated, the minimum standards must include that firms

- meet the appropriate state licensing requirements,
- meet the applicable independence standard,
- have a record of responsible work, and
- comply with applicable requirements for peer review and continuing professional education.

## METHODOLOGY

The method of evaluating proposals may vary considerably with the size and complexity of the government unit and the scope of services required. If the method of evaluation has been predetermined, it should be described in an attachment to, or made part of, the RFP, giving a brief summary of how the selection process will work. Clarifying the rating method, point range, and other factors would also be desirable.

To have a meaningful evaluation, care must be taken in selecting evaluators. The evaluators must have the background and experience necessary to make accurate and meaningful comparisons of the proposals. Items of comparison include general qualifications of the auditor, alternative approaches to the audit work plan, assessment of the number of hours to do the audit, and evaluating the staffing level and experience of assigned staff for the type and complexity of the audit desired. In addition, evaluators should be provided appropriate criteria to ascertain which proposer best meets the requester's needs. Occasionally, several proposals may be so similar in qualifications that oral interviews may have to be arranged and scheduled to assist in making the final selection.

At a minimum, the evaluation committee should be able to answer "yes" to the following questions:

- Does the proposal, both in the statement of the audit requirements and elsewhere, demonstrate that the firm has an understanding of the audit's objective(s), the needs of the government entity, and the final products to be delivered?

- Does the proposal contain a sound technical plan and a realistic estimate of time required to complete the audit?
- Does the proposal show the bidder's intention to start the audit when required and complete the audit in a timely fashion?
- Does the technical plan show a practical approach to meeting benchmarks and specific deadlines?
- Does the proposal indicate that the firm will use (1) a systematic approach to examining systems and internal controls and (2) effective procedures, including consideration of risk and materiality, to determine the extent of audit testing and review necessary?
- Does the proposal indicate the bidder's willingness to use other auditor's work, to the extent possible, to avoid duplication of effort?
- Does the firm have experience in performing the required work for entities of similar size and type?
- Do prior clients have a positive opinion of the firm?
- Does the proposal clearly show the collective experience of the team to be assigned to the project?
- Does the proposal specify, in concrete language, that key personnel have education and experience in the type of work that the audit entails?
- Is the experience explained in terms of specific audit engagements?
- Is the continuing professional education of key personnel explained in detail?
- Does the proposal indicate the extent to which the government entity's personnel would be expected to contribute to the work effort?
- Does the proposal specify that the government entity must be notified in writing of changes in key personnel?
- If the proposal is for a multiyear contract, does it provide an approach for planning and conducting the work efforts of the subsequent year(s)?

Note: if other audit firms are to be used (subcontractors), the above technical factors should also be applied to those audit firms.

## RATING THE PROPOSALS

Initial evaluations should be based on the bidders' proposals as submitted. As the proposals are evaluated, a list of the strengths and weaknesses of each should be made to support its technical rating. Proposals should be ranked according to the technical factors first, and then consider the proposed cost. For example, the evaluation process may rank the proposals only on technical factors, then a selection of the best qualified proposals could be made of perhaps three to five from the total responses. From these "best qualified" responses, the evaluation could proceed with evaluations of the cost factors.

## COST FACTORS

Cost of work to be performed is important and often is a significant factor in selection of the proposal for entering into a contract for services. Cost should not be given primary and dominant weighting in selecting the auditor. Cost for the audit should be given consideration when all other evaluation criteria have been met and the proposals are relatively equal in qualifications. The Request for Proposals shell contained in Appendix 4 specifies that cost information should not be included in the technical component of the proposal. Cost information should be submitted by proposers in a separate sealed envelope and opened after technical evaluation of proposals is complete.

If there is reason to believe that an unreasonably low proposal has been submitted, it should be rejected. One method of measuring reasonableness is to identify hours to complete the audit (or identify hours to complete each segment of the audit), divide each cost estimate by these hours, and compare results with the other proposals. It may be helpful to develop a general standard as to hourly rates and time on each audit task regarding what might be expected.

## FINAL DETERMINATION

After the technical evaluation is completed and the prices offered by the bidders have been reviewed, the government entity may be prepared to select the proposal that is most advantageous to the entity.

If, however, the feeling exists that more information is needed before selecting a proposal, individual discussions with bidders who have a reasonable chance of being selected can be held. This will allow these bidders to respond to the entity's concerns and, if necessary, submit revised proposals by a specified date. Care should be taken during these discussions not to reveal proprietary information submitted by other bidders. The revised proposals should then be evaluated as described above and the contract can then be awarded on the basis of both technical competence and reasonable price.

◆ **SMALL ENTITIES**

Using a committee to carry out the evaluation process is especially important for small entities with limited resources. A more comprehensive analysis of the bids is likely to be achieved by having more people involved in the evaluation process.

NOTICE

This chapter outlines general information on the proposal evaluation process. Detailed procedures and sample worksheets are included in Appendix 2.

## CHAPTER 5 - THE WRITTEN AGREEMENT

The lack of a written agreement between the government entity contracting for the audit and the audit firm can contribute to substandard audits performed by certified public accountants. To foster sound and productive communication and to avoid misunderstandings, both parties should agree in writing on important audit-related matters. Before bidders spend time assessing the nature of the job and estimating its costs, they should be cognizant of the fact that they are expected to sign a formal document as the culmination of the proposal process. Audit firms unwilling to commit themselves to signing such a document are better avoided.

A signed agreement represents a contract and is binding upon both parties. For that reason, when drafting the agreement, seeking the advice of the government entity's purchasing office or legal counsel on the agreement's form and substance is important.

Audit firms may request that the auditee government entity sign an engagement letter prepared by the firm. The engagement letter protects the firm more than the entity being audited and, therefore, it is strongly recommended that the engagement letter not be used in lieu of a formal written agreement.

### CONTENT OF THE WRITTEN AGREEMENT

When an RFP has been used, the written agreement should incorporate by reference the terms of the RFP and those of the successful bidder's last proposal. The letter should be signed by the entity and the audit firm. If the Request for Proposals shell, including the standard Form of Agreement, contained in Appendix 4 is not used the written agreement should clearly specify the following:

- audit scope, objective, and purpose;
- deadlines for work to be performed;
- audit cost;
- report format;
- type and timing of support to be provided to the auditor by the entity; and

- professional auditing standards to be followed in performing the audit.

Furthermore, the agreement should make the following points about the auditor/entity relationship, changes in the kind or amount of work required, and access to and ownership of audit products.

- The relationship of the auditing firm to the government entity is that of an independent contractor.
- At any time, the entity may, by written notice, make changes in or additions to work or services within the general scope of the agreement. If such changes are made, an equitable adjustment will be made in the cost of the audit using the rates specified in the agreement.
- If the contractor believes that a change in or addition to work is beyond the general scope of the agreement, it must notify the entity in writing within a specified time and before beginning that work. The agreement should indicate where the final administrative authority rests in deciding disputes.
- The workpapers prepared by the contracting auditor during the audit are its own property. These documents should be retained for a period to be designated in this agreement and made available to the entity and governmental auditors upon request.
- All reports rendered to the entity by the contracting auditor are the exclusive property of the entity and subject to its use and control, according to applicable laws and regulations.

#### ◆ **SMALL ENTITIES**

In the absence of an RFP, many small engagements are documented only by an engagement letter prepared by the CPA. If the government entity decides to use an engagement letter as its written agreement, it is strongly advised to include the information listed above and ensure that the document is signed by both parties.

## CHAPTER 6 - AUDIT MONITORING

Monitoring the progress of the audit is the most effective way to ensure that the government entity receives both the type and quality of audit services specified in the written agreement. This is a role that the entity's audit committee can carry out most effectively. This group of experts can evaluate the audit while it is taking place, thereby addressing and resolving problems before the audit is completed. It can also review audit results and assist in post-audit quality evaluation. Thus, not only does the audit product improve but working relationships between the audited entity and auditor are enhanced.

Monitoring is especially beneficial during the first year of a new auditor's contract and during the audit of a particular unit or segment(s) of an organization that is unique or complex. Furthermore, monitoring is beneficial throughout the term of a multiyear contract. It provides status reports and helps coordinate the auditing firm's activities with the audit's requirements. While the responsibility for a quality audit rests ultimately with the auditor, monitoring the work being performed as a quality assurance measure is a good idea.

Monitoring can be accomplished by requiring periodic progress reports as well as by holding regular meetings to discuss issues that need to be resolved. Furthermore, meeting after the completion of the audit to discuss the draft report can help ensure a clear understanding of the report and its findings.

### ◆ SMALL ENTITIES

Few small entities have the resources to thoroughly monitor the work of an auditor. When audit committee members are unavailable within an organization, composing a committee from people outside the organization may be the answer.

## APPENDIX 1 - CHECKLIST OF RFP CONTENTS

The prime consideration in preparing an RFP is that it contain enough information to provide bidders with a common basis by which to prepare proposals that address all audit needs. It is also important, however, to consult with the government entity's purchasing office and/or legal counsel to ensure that the RFP conforms with the laws, regulations, and grant terms applicable to the entity. At a minimum, the RFP should contain the following:

- the name and address of the government entity;
- the entity to be audited, scope of services to be provided, and specific reports, etc. to be delivered;
- the period to be audited (with an explanation if the RFP calls for a multiyear procurement);
- the name and telephone number of a contact person at the government entity;
- the format in which the proposals should be prepared;
- the address to which proposals should be delivered or sent;
- the date and time proposals are due;
- the number of proposal copies to be submitted;
- the criteria to be used in evaluating the bid and their relative importance to each other;
- the method and timing of payment; and
- any other important points, including the consequences if due dates are missed or work does not meet audit standards.

The likelihood of receiving high quality proposals will be enhanced if the RFP

- explains the work the government entity does;
- explains what is to be audited (e.g., general-purpose financial statements, specific funds, or both);
- describes in some detail the entity's accounting system, administrative controls, records, and procedures;

- informs prospective bidders whether the Single Audit Act applies to this audit;
- identifies the appropriate auditing standards;
- informs prospective bidders if data from prior years (audit reports, management letters, etc.) will be available, whether major audit findings remain open from prior years, and whether any audits of subrecipients are required;
- notifies prospective bidders of requirements for workpaper retention and for making the workpapers available to the entity as well as governmental auditors if they request them;
- describes expected audit products, the required format of the audit report, and the format of any required progress reports;
- explains any assistance that the government entity will offer, such as staff support to assist the auditor (which could materially reduce audit costs);
- outlines the expected schedule of work (completing field work, issuing reports, etc.).

Finally, a well-prepared RFP will elicit certain information from prospective bidders. For example, it will ask bidding firms to state

- how they would conduct the audit and, if it were a multiyear contract, how they would approach the work efforts of the subsequent year(s);
- their qualifications, those of their local office, if applicable, and those of the proposed audit staff, including their prior government auditing experience;
- their policies on notification of changes in key personnel;
- whether the proposed staff have received continuing professional education in government accounting and auditing during the last 2 years;
- whether they are independent, as defined by applicable auditing standards;
- whether they have received a positive peer review within the last 3 years;
- whether they have been the object of any disciplinary action during the past 3 years; and
- their fee.

## APPENDIX 2 - SAMPLE PROPOSAL EVALUATION DOCUMENTS

The documents contained in this appendix are intended to provide assistance and guidance on a satisfactory evaluation and selection of the best-qualified independent auditor to perform the audit requirements specified in the RFP. It is incumbent on the requesters not only to clearly state their audit requirements but also select the best-qualified respondent, all factors considered, to do the audit.

- **SUGGESTED PROPOSAL EVALUATION FORMULA**

This formula may be used to establish a process for evaluating the proposals and making the final selection of the best-qualified independent auditor to perform the audit. The total score of each proposal should be determined by adding the points awarded for technical qualifications (maximum of 70 points) to the points received for the cost of doing the audit (maximum of 30 points).

- **EXAMPLE OF A PROPOSAL EVALUATION METHOD**

This is an example of a method for evaluating proposals. The evaluation formula and the values assigned to the criteria given illustrates an evaluation scoring method. Requesters should design formulas and criteria that meet their own needs.

- **SAMPLE PROPOSAL EVALUATOR'S RATING SHEET**

This rating sheet may be used by each proposal evaluation team member. A separate sheet should be completed by each team member for each proposal reviewed.

- **SAMPLE PROPOSAL SCORE SUMMARY**

This summary sheet may be used to summarize the points for the technical and cost components awarded to each proposal. Separate columns are used for each proposer and separate rows for each evaluation team member.

SUGGESTED PROPOSAL EVALUATION FORMULA

The total score should be determined by applying the following formula:

Technical Score <u>for this Firm</u>	X	70	=	Technical Score
Highest Technical Score Received				
Lowest Cost <u>of All Bids</u>	X	30	=	Cost Score
Cost of Bid For this Firm				_____
Subtotal				
<u>Oral Interview</u> (if necessary) (Points from 1 to 10 - Score)				_____
Total Points				

In the event that oral interviews are necessary to break a tie or for making final clarification in the evaluation process, additional points may be awarded on any reasonable scale, but from 1 to 10 would be appropriate. It should be understood that while the total score is a significant factor, the requester of the services reserves the right to consider other factors in making the final selection. Although this is true, requesters should be very careful in the evaluation process to formulate a defensible evaluation plan, document the procedures used and points awarded on each proposal, and retain the material for a reasonable time in the event of a protest or questions raised on the scoring, contract award, etc.

## EXAMPLE OF A PROPOSAL EVALUATION METHOD

### PROFESSIONAL QUALIFICATIONS

The evaluation of professional qualifications of the proposals should be based on the following criteria:

1. Mandatory Criteria

Proposals should not be considered for further evaluation unless they meet all of the following mandatory criteria:

- a. Must be an independent auditor properly licensed for public practice.
- b. Must meet the independence standards of the Government Auditing Standards, 1994 revision, as amended, published by the U.S. General Accounting Office.
- c. Must not have a record of substandard work. This can be determined by checking with the State Board of Accountancy and/or by requesting information on positive enforcement, ethics infractions, or references from the respondents.
- d. Must meet any specific qualifications requirements imposed by state or local law or rules and regulations. (The RFP Shell, Attachment 4, contains a Mandatory Pre-Qualification Form that identifies other specific qualifications requirements.)

2. Technical Criteria

Those proposers who have met each of the criteria in Section 1 above will be evaluated on the following criteria:

A.		Firm Description and Experience (0 – 30)	
1.		Description of firm, including type, number of years in business and number of employees in the local office.	0 – 4
2.		Description of experience in providing the services described in the RFP.	0 – 8

3.		Biographies of individuals who will be assigned to the engagement with audit experience on similar audits, including: (0 – 18)	
	a.	Government auditing experience	0 – 8
	b.	State government auditing experience or experience auditing government entities similar to government issuing RFP	0 – 4
	c.	Recent relevant continuing professional education received	0 – 6
		<b>TOTAL POINTS AWARDED FOR FIRM DESCRIPTION AND EXPERIENCE</b>	<b>0 – 30</b>
<b>B.</b>		<b>AUDIT PLAN AND METHODOLOGY (0 – 40)</b>	
1.		Description of the general audit plan, including timing of fieldwork, description of any overview or start-up work required, as well as approximate dates of fieldwork and delivery of required reports	0 – 2
2		Description of general work plan items, as follows (0 – 35):	
	a.	Reference to specific sources of information necessary to perform the audit	0 – 5
	b.	Sampling techniques	0 – 5
	c.	Extent of the use of EDP software in the engagement	0 – 5
	d.	Type and extent of the use of analytical procedures	0 – 5
	e.	Approach to be taken to gain and document an understanding of internal control	0 – 5
	f.	Approach to be taken to determine laws and regulations that will be subject to audit test work	0 – 5
	g.	Approach to be taken in drawing audit samples for purposes of tests of compliance	0 – 5
3.		Listing of the five most significant audit engagements performed in the last 3 years, indicating audit hours, scope of work, date, engagement partner(s), total hours, and name and telephone number of client contact	0 – 3
		<b>TOTAL POINTS AWARDED FOR AUDIT PLAN AND METHODOLOGY</b>	<b>0 – 40</b>
		<b>TOTAL POINTS AWARDED FOR TECHNICAL COMPONENT OF PROPOSAL</b>	<b>0 – 70</b>

3. Cost Criteria

The envelopes containing information on the cost of the audit should now be opened and scheduled by each proposal and amount. The information should be arrayed from low to high cost estimates for applying the formula and computing the cost criteria score and recording on the evaluation summary sheet, or similar record.

		COST OF THE AUDIT	0 – 30
		TECHNICAL AND COST – MAXIMUM POINTS	100

4. Oral Interviews (if necessary)

The requester should develop a list of criteria or special factors that may be used in the oral interviews. The factors should seek to clarify points of interest on the proposers' qualifications to do the audit. The oral interviews may bring out additional information to clearly make the final determinations.

		INTERVIEW POINTS AWARDED	1 - 10
		TOTAL TECHNICAL, COST AND INTERVIEW POINTS – MAXIMUM	110

SUMMARY OF EVALUATION PROCESS

After the proposals have been reviewed and ranked based on the mandatory and technical criteria, a natural cutoff point in the evaluation process may become apparent. For example, those proposals that did not meet the mandatory criteria have been eliminated and the low ranked proposals may now be eliminated as not being competitive or qualified. The evaluation process may now elect to choose the top 3 to 5 proposals for the final phase of the review.

The next step is to proceed to the cost criteria. The finalists should be rated using the cost criteria formula and the points recorded for determining the best-qualified proposals. If final scores are tied or very close, making selection difficult, the oral interview procedure may be necessary and appropriate for making the final selection of the independent auditor to do the audit.

APPENDIX 3 - REPORTING MATRIX

<u>REPORT</u>	REQUIRED BY		
	<u>Generally Accepted Auditing Standards</u>	<u>Government Auditing Standards</u>	<u>OMB Circular A-133</u>
Opinion (or disclaimer of opinion) on financial statements and, if applicable supplementary schedule of expenditures of federal awards	X	X	X
Report on compliance and on internal control over financial reporting based on an audit of financial statements		X	X
Report on compliance and internal control over compliance applicable to each major program (this report must include an opinion [or disclaimer of opinion] on compliance)			X
Schedule of findings and questioned costs			X

#### APPENDIX 4 – REQUEST FOR PROPOSALS FOR AUDIT SERVICES SHELL

The request for proposals for audit services shell is included as Attachment 1. This document is also available on the Georgia Department of Audits and Accounts web site ([www.state.ga.us/Departments/AUDIT](http://www.state.ga.us/Departments/AUDIT)) in the Local Government Section's Accounting and Auditing Resource Library. The file can also be sent via e-mail. Send requests to [locgov@audits.state.ga.us](mailto:locgov@audits.state.ga.us)