

KODIAK ISLAND BOROUGH
AUDIT COMMITTEE
REQUEST FOR PROPOSALS
FOR
PROFESSIONAL AUDITING SERVICES
February 28, 1995

710 MILL BAY ROAD
KODIAK, ALASKA 99615

Kodiak Island Borough

REQUEST FOR PROPOSALS

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Kodiak Island Borough
REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The Kodiak Island Borough is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 1995, with the option of auditing its financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards (1988), the provisions of the federal Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments

There is no expressed or implied obligation for the Kodiak Island Borough to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

A preproposal conference for all the firms interested in submitting a proposal will be held at 1:00 on March 17, 1995, at 710 Mill Bay Road (the Borough Building) in Room 121 to answer questions about the engagement. After this preproposal conference, any inquiries concerning the request for proposals should be addressed to Karleton G. Short. All interested audit firms will be provided with a copy of the minutes of the preproposal conference by March 27, 1995.

To be considered, twelve copies of a proposal must be received by Karleton G. Short at 710 Mill Bay Road by 5:00 on April 10, 1995. The Kodiak Island Borough reserves the right to reject any or all proposals submitted.

Proposals submitted will be evaluated by a three member Audit Committee selected by the Kodiak Island Borough Assembly, consisting of Karleton Short, Finance Director, Kodiak Island Borough, Jocelyn Zwiefelhofer, Business Manager, Kodiak Island Borough School District, and Mary Munk, Finance Director, Kodiak Island Hospital.

During the evaluation process, the Audit Committee and the Kodiak Island Borough reserve the right, where it may serve the Kodiak Island Borough's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the Kodiak Island Borough or the Audit Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Kodiak Island Borough reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Kodiak Island Borough and the firm selected.

It is anticipated the selection of a firm will be completed by April 20, 1995. Following the notification of the selected firm, it is expected a contract will be executed between both parties by May 4, 1995.

B. Term of Engagement

A five-year contract is contemplated, subject to the annual review and recommendation of the Audit Committee, the satisfactory negotiation of terms (including a price acceptable to both the Kodiak Island Borough and the selected firm), the concurrence of the Kodiak Island Borough Assembly, and the annual availability of an appropriation.

II. NATURE OF SERVICES REQUIRED

A. General

The Kodiak Island Borough is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 1995, with the option to audit the Kodiak Island Borough's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The Kodiak Island Borough desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The auditor is not required to audit the combining and individual fund and account group financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements. The auditor is not required to audit the statistical section of the report.

The auditor is not required to audit the schedule of federal financial assistance. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

C. Auditing Standards To Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (1988), the provisions of the Single Audit Act of 1984 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments.

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditors' understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.
4. The Hospital requires a Medicare Cost report. This report must be completed by August 11.

The following reports relating to Federal financial assistance:

1. An "in-relation-to" report on the schedule of federal financial assistance.
2. A report on the internal control structure used in administering federal financial assistance programs (this report may be combined with report number 2).
3. A report on compliance with specific requirements applicable to major federal financial assistance programs.

4. A report on compliance with specific requirements applicable to non-major federal financial assistance programs (this report may be combined with report number 6).
5. A report on compliance with general requirements for both major and non-major federal financial assistance programs.

The following reports relating to State financial assistance:

1. An "in-relation-to" report on the schedule of state financial assistance.
2. A report on the internal control structure used in administering state financial assistance programs (this report may be combined with report number 2).
3. A report on compliance with specific requirements applicable to major state financial assistance programs.
4. A report on compliance with specific requirements applicable to non-major state financial assistance programs (this report may be combined with report number 3).
5. A report on compliance with general requirements for both major and non-major state financial assistance programs.

In the required report[s] on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report[s] on internal controls.

The report on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

Jerome M. Selby, Borough Mayor
Bruce Johnson, KIBSD Superintendent
Ed Myers, Hospital Administrator
Audit Committee

Reporting to the audit committee. Auditors shall assure themselves that the Kodiak Island Borough's audit committee is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements

6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Special Considerations

1. The financial statements of the Kodiak Island Borough School District and Kodiak Island Hospital are both included as component units of the financial statements of the Kodiak Island Borough. This RFP does include audits and reports of these two component units the same as the Kodiak Island Borough, except where they are specifically identified as being different in other parts of this RFP.
2. The Kodiak Island Borough will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide special assistance to the Kodiak Island Borough to meet the requirements of that program.
3. The Kodiak Island Borough currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
4. The schedule of federal financial assistance and related auditor's report, as well as the reports on the internal controls and compliance are not to be included in the Comprehensive Annual Financial Report, but are to be issued separately.
5. A list of findings and other weaknesses from the Kodiak Island Borough's most recent financial statement audit is attached to this document (Appendix A).

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the Kodiak Island Borough of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

Kodiak Island Borough

U.S. General Accounting Office (GAO)

Parties designated by the federal or state governments or by the Kodiak Island Borough as part of an audit quality review process

Auditors of entities of which the Kodiak Island Borough is a sub-recipient of grant funds

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. The auditor's principal contact with the Kodiak Island Borough will be Karleton G. Short, Finance Director, or a designated representative, who will coordinate the assistance to be provided by the Kodiak Island Borough to the auditor.

B. Background Information

The Kodiak Island Borough serves an area of 7,130 square miles with a population of 15,245. The Kodiak Island Borough's fiscal year begins on July 1 and ends on June 30.

The Kodiak Island Borough has a total payroll of \$3,079,948 covering 67 employees.

The Kodiak Island Borough is organized into nine departments and agencies. The accounting and financial reporting functions of the Kodiak Island Borough are centralized except for the Kodiak Island Borough School District and the Kodiak Island Hospital which are not part of the Borough's accounting system.

More detailed information on the government and its finances can be found in the Annual Budget and the fiscal year 1994 Comprehensive Annual Financial Report. These documents can be obtained by calling Karleton G. Short at (907)486-9320 for Borough documents, Jocelyn Zwiefelhofer at (907)486-9278 for School District documents, and Mary Munk at (907)486-3281 for Hospital documents.

C. Fund Structure

The Kodiak Island Borough uses the following fund types and account groups in its financial reporting:

FUND TYPE/ACCOUNT GROUP	NUMBER OF INDIVIDUAL FUNDS	NUMBER WITH LEGALLY ADOPTED BUDGETS
General Fund	1	1
Special revenue funds	14	13
Debt Service Funds	2	2
Capital Projects Funds	5	1
Enterprise Funds	3	3
Internal Service Funds	1	1
Expendable Trust Funds		
Agency Funds	1	0
General Fixed Assets Account Group	1	NA
General Long-Term Debt Account Group	1	NA

The Kodiak Island Borough School District and Kodiak Island Hospital are both component units of the Kodiak Island Borough.

D. Budgetary Basis of Accounting

The Kodiak Island Borough prepares its budgets on a basis consistent with generally accepted accounting principles.

E. Federal and State Financial Assistance

During the fiscal year to be audited, the Kodiak Island Borough received assistance from various federal and state sources. Last year's schedule of federal and state financial assistance is included in this document. It is not anticipated that this assistance will vary significantly in fiscal year 1995.

F. Pension Plans

Essentially, all employees of the Borough and School District participate in either the Alaska Public Employee's Retirement System (PERS, an agent multiple-employer PERS) or the Alaska Teachers' Retirement System (TRS, a cost sharing, multiple-employer PERS). Borough personnel and School District classified personnel (except those working less than fifteen hours per week) participate in PERS. School District certified personnel participate in TRS. Both systems are statewide, defined benefit retirement plans administered by the State of Alaska.

Hospital employees participate in a single employer, defined contribution 457K plan.

G. Component Units

The Kodiak Island Borough is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Using these criteria, component units are included in the Kodiak Island Borough's financial statements.

The management of the Kodiak Island Borough has identified the following component units for inclusion in the Kodiak Island Borough's financial statements:

Kodiak Island Borough School District
Jocelyn Zwiefelhofer, Business Manager
722 Mill Bay Road
Kodiak, Alaska 99615
(907)486-9278

Kodiak Island Hospital
Mary Munk, Finance Director
1915 East Rezanof Drive
Kodiak, Alaska 99615
(907)486-3281

Both component units have a June 30 year end.

These component units are to be audited as part of the audit of the Kodiak Island Borough's financial statements.

H. Joint Ventures

The Kodiak Island Borough does not participate in joint ventures with other governments.

I. Magnitude of Finance Operations

The finance department of the Kodiak Island Borough is headed by Karleton G. Short, Finance Director, and consists of eight employees. The principal functions performed are as follows:

- * General ledger, accounts payable, accounts receivable
- * Payroll for 64 employees
- * Utilities
- * Fixed asset inventory
- * Risk management
- * Budget

- * Collections
- * Investments and cash management

The finance department of the Kodiak Island Borough School District is headed by Jocelyn Zwiefelhofer, Business Manager. Full time staff consists of: Business Manager, Accountant III (2), Purchasing Supervisor, Payroll Accountant, Secretary III, and Supply Specialist I (seven full-time staff).

Part time staff consists of: Accountant II, Accountant II\Supply Specialist II, and Supply Specialist I (three part-time staff).

Principal functions performed in the KIBSD Business Department and Shipping & Receiving:

- * Payroll for approximately 375 employees + substitute teachers
- * Related, required payroll reporting for above
- * General ledger, accounts payable, accounts receivable (minor)
- * Student Fund accounting 12 schools except the High School and Old Harbor School Central Treasury reconciliation
- * Bank statement reconciliation
- * Fixed asset and central stores inventories
- * Free and reduced-price lunch program recordkeeping and reporting
- * Local, State, and Federal grant reporting - FY95 approximately \$1.3 million to date

The finance department of the Kodiak Island Hospital is headed by Mary Munk, Finance Director, and consists of 36 employees. The principal functions performed and the number of employees assigned to each are as follows:

<u>Function</u>	<u>Number of Employees</u>
Business Office	12
Purchasing	3
Medical Records	7
Dietary	9
Specialty Clinic	3
Accounting	2

J. Computer Systems

HARDWARE

<u>Type of Equipment</u>	<u>Number</u>	<u>Make of Equipment</u>	<u>Networked?</u>
AS/400 Minicomputer	1	IBM	Yes
Local Area Network	3	PC Compatible	Yes
E-Mail Network	2	PC Compatible	Yes

SOFTWARE

<u>Make</u>	<u>Vendor</u>	<u>Major Applications</u>
OS/2	IBM	Operating System
LOGOS	New World Systems	Municipal Financial
CIMS	National Computer Systems	School District Software
PIC's	Lutheran Health Systems	Hospital Patient Accounting
DMAS	Lutheran Health Systems	Hospital Payroll

DATA BASES

<u>Types</u>	<u>Uses</u>	<u>Access</u>
IBM Relational Data Base		Security Controlled
Q&A Flat File Data Base on PC's		
Oracle	Autocad	

L. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Kurt Martens, Manager at Deloitte & Touche, Suite 1500, 550 West 7th Avenue, Anchorage, Alaska 99501. The phone number is (907)272-8462. The Kodiak Island Borough will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposal issued	February 28, 1995
Preproposal conference	March 17, 1995
On-site inspection	March 17, 1995
Due date for proposals	April 10, 1995
Oral interviews with selected firms	April 12, 1995
Selected firm notified	April 21, 1995
Contract date	April 11, 1995

B. Date Audit May Commence

The Hospital and School District audits will take place before the audit of the Kodiak Island Borough.

The Kodiak Island Borough School District will have all records ready for audit and all management personnel available to meet with the firm's personnel as of August 1, 1995.

The Kodiak Island Hospital will have all records ready for audit and all management personnel available to meet with the firm's personnel as of July 24, 1995.

The Kodiak Island Borough will have all records ready for audit and all management personnel available to meet with the firm's personnel as of September 1, 1995.

C. Schedule for the 1995 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if the Kodiak Island Borough exercises its option for additional audits).

Each of the following should be completed by the auditor no later than the

dates indicated.

Kodiak Island Borough

1. Interim Work

The auditor shall complete interim work by May 31.

2. Detailed Audit Plan

The auditor shall provide Kodiak Island Borough by May 1, both a detailed audit plan and a list of all schedules to be prepared by the Kodiak Island Borough.

3. Fieldwork

The auditor shall complete all fieldwork by September 30.

4. Draft Reports

The auditor shall have drafts of the audit report[s] and recommendations to management available for review by the Audit Committee and the chief financial officer by October 15.

5. Final Report

The Comprehensive Annual Financial Report is Due by October 30, 1995.

Kodiak Island Borough School District

1. Interim Work: May 22-26, 1995

2. Final field work: Approximately two weeks in August beginning August 1, 1995. This gives ample time to prepare after year-end closing and accounts payable cut-off.

3. State Department of Education due date for annual audit is October 1 (AS14.14.050)

Kodiak Island Hospital

1. Interim Work

The auditor can perform the interim work either the week of May 8, or the week of May 15.

2. Detailed Audit Plan

The auditor shall provide Kodiak Island Hospital by June 1 both a detailed audit plan and a list of all schedules to be prepared by the Kodiak Island Borough.

3. Fieldwork

The auditor can start fieldwork as early as July 17. A list of audit adjustments will be provided by August 2. The auditor shall complete all fieldwork by August 9.

4. Draft Reports

The auditor shall have drafts of the audit report[s] and recommendations to management available for review by the Hospital by August 9.

5. The Hospital Medicare Cost Report is due in Fargo, North Dakota by August 15, 1995 so it must be complete by August 11, 1995.

D. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time

schedule will be developed for audits of future fiscal years if the Kodiak Island Borough exercises its option for additional audits).

At a minimum, the following conferences should be held at mutually agreeable times.

Entrance conference with audit committee.

Entrance conference with all key finance department personnel and department heads of key offices or programs

The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor

Progress conference with finance directors.

- The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested

Entrance conference with finance directors to commence year-end audit work

Exit conference with finance directors

- The purpose of this meeting will be to summarize the results of the field work and to review significant findings

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department and Clerical Assistance

The finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the Kodiak Island Borough and the auditor.

In addition, 40 hours of clerical support will be made available to the auditor for the preparation of routine letters and memoranda.

B. Electronic Data Processing (EDP) Assistance

EDP personnel will be available to provide systems documentation and explanations. The auditor will not be provided computer time and the use of the Kodiak Island Borough's computer hardware and software.

C. Statements and Schedules to be Prepared by the Staff of the Kodiak Island Borough

The staff of Kodiak Island Borough will prepare a reasonable number of statements and schedules for the auditor.

D. Work Area, Telephones, Photocopying, and FAX Machines

The Kodiak Island Borough will provide the auditor with reasonable work space, desks, and chairs. The auditor will also be provided with access to telephones, photocopying facilities, and FAX machines.

E. Report Preparation

Kodiak Island Borough - Report preparation, editing and printing shall be the responsibility of the auditor. The Kodiak Island Borough will prepare the introductory section and the statistical section. The auditor will be responsible for preparing the individual, combining, combined statements, and the footnotes. The auditor will be

responsible for proofing, printing and binding the report. The Kodiak Island Borough will provide the cover, binders, and "photo page".

Kodiak Island Borough School District - Report preparation, editing, and printing shall be the responsibility of the auditor.

Kodiak Island Hospital - Report preparation, editing, and printing shall be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Preproposal Conference and On-site Inspections

A conference for firms interested in submitting proposals will be held at 1:00 p.m., on March 17, 1995, in Room 121, 710 Mill Bay Road, Kodiak, Alaska. Both verbal and written questions will be accepted during the conference. Minutes of the preproposal conference will be distributed by March 27, 1995, to all firms that submit a "Notification of Interest."

At 3:00 p.m., March 17, 1995, representatives of the various departments within the Kodiak Island Borough will be available to discuss their operations and conduct on-site inspections for interested proposers.

2. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Kodiak Island Borough
Karleton G. Short, Finance Director
710 Mill Bay Road
Kodiak, Alaska 99615
(907) 486-9320

Kodiak Island Borough School District
Jocelyn Zwiefelhofer, Business Manager
722 Mill Bay Road
Kodiak, Alaska 99615
(907) 486-9278

Kodiak Island Hospital
Mary Munk, Finance Director
1915 East Rezanof Drive
Kodiak, Alaska 99615
(907) 486-3281

CONTACT WITH PERSONNEL OF THE KODIAK ISLAND BOROUGH OTHER THAN THOSE NAMED ABOVE, REGARDING THIS REQUEST FOR PROPOSAL MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

3. Submission of Proposals

The following material is required to be received by April 10, 1995, for a proposing firm to be considered:

a. A master copy (so marked) of a Technical Proposal and twelve copies to include the following:

i. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and

telephone number of the contact person; and the date of the proposal.

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for the fiscal year 1995 Audit of the Kodiak Island Borough, Kodiak Island Borough School District, and Kodiak Island Hospital.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

v. Executed copies of Proposer Warranties, attached to this request for proposal (Appendix E)

- b. The proposer shall submit an original and five copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID PROPOSAL FOR
Kodiak Island Borough
FOR PROFESSIONAL AUDITING SERVICES
[DATE]

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

Karleton G. Short, Finance Director
Kodiak Island Borough
710 Mill Bay Road
Kodiak, Alaska 99615

B. Technical Proposal

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Kodiak Island Borough in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included. They represent the criteria against which the proposal will be

evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the Kodiak Island Borough as defined by [generally accepted auditing standards/the U.S. General Accounting Office's Government Auditing Standards (1988)].

The firm also should provide an affirmative statement that it is independent of all of the component units of the Kodiak Island Borough as defined by those same standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the Kodiak Island Borough or any of its [agencies or component units/agencies, component units or oversight unit] for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the Kodiak Island Borough written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Alaska.

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in the State of Alaska.

4. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified, and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory, and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in Alaska. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing

professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the firm, or are promoted or assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Kodiak Island Borough. However, in either case, the Kodiak Island Borough retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the Kodiak Island Borough, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the Kodiak Island Borough

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the Kodiak Island Borough by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements With Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as Kodiak Island Borough's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
 - b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
- NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL
- c. Sample size and the extent to which statistical sampling is to be used in the engagement
 - d. Extent of use of EDP software in the engagement
 - e. Type and extent of analytical procedures to be used in the engagement
 - f. Approach to be taken to gain and document an understanding of the Kodiak Island Borough's internal control structure

- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the Kodiak Island Borough.

10. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs, including all out-of-pocket expenses.

The Kodiak Island Borough will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm
 - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the Kodiak Island Borough.
 - c. A Total All-Inclusive Maximum Price for the 1995 engagement.
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix F), that supports the total all-inclusive maximum price. The cost of special services described in Section I E of this request for proposal should be disclosed as separate components of the total all-inclusive maximum price.

3. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the rates used by the Kodiak Island Borough for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the sealed dollar cost bid in the format provided in the attachment (Appendix F). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging and subsistence at the prevailing Kodiak Island Borough rates for its employees.

4. Rates for Additional Professional Services

If it should become necessary for Kodiak Island Borough to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between Kodiak Island Borough and the firm. Any such additional work agreed to between Kodiak Island Borough and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billing shall cover a period of not less than one calendar month.

VII. EVALUATION PROCEDURES

A. Audit Committee

Proposals submitted will be evaluated by a three member Audit Committee selected by the Kodiak Island Borough Assembly, consisting of Karleton G. Short, Finance Director, Kodiak Island Borough, Jocelyn Zwiefelhofer, Business Manager, Kodiak Island Borough School District, and Mary Munk, Finance Director, Kodiak Island Hospital.

B. Review of Proposals

The Audit Committee will use a point formula during the review process to score proposals. Each member of the Audit Committee will first score each technical proposal by each of the criteria described in Section VII C below. The full Audit Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

The Kodiak Island Borough reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Alaska
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the Kodiak Island Borough
- c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal
- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

2. Technical Quality: (Maximum Points - 70)

a. Expertise and Experience

- (1) The firm's past experience and performance on comparable government engagements
- (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation

b. Audit Approach

- (1) Adequacy of proposed staffing plan for various segments of the engagement
- (2) Adequacy of sampling techniques
- (3) Adequacy of analytical procedures

3. Price: (Maximum Points - 30)

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

D. Oral Presentations

During the evaluation process, the Audit Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Audit Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The Kodiak Island Borough Assembly will select a firm based upon the recommendation of the Audit Committee.

It is anticipated that a firm will be selected by April 20, 1995. Following notification of the firm selected, it is expected a contract will be executed between both parties by April 21, 1995.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Kodiak Island Borough and the firm selected.

The Kodiak Island Borough reserves the right without prejudice to reject any or all proposals.

APPENDICES

- A. Proposer Warranties
- B. Format for Schedule of Professional Fees and Expenses to Support the Total All-inclusive Maximum Price
- C. F.Y. 1994 Annual Report, F.Y. 1994 management Reports, F.Y. 1995 Budget, F.Y. 1995 single audit reports for Kodiak Island Borough.
- D. F.Y. 1994 Annual Report, F.Y. 1994 management Reports, F.Y. 1995 Budget, F.Y. 1995 single audit reports for Kodiak Island Hospital.
- E. F.Y. 1994 Annual Report, F.Y. 1994 management Reports, F.Y. 1995 Budget, F.Y. 1995 single audit reports for Kodiak Island Borough School District.

APPENDIX A

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Alaska laws with respect to foreign (non-state of Alaska) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees, or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Kodiak Island Borough.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____
Name (typed): _____
Title: _____
Firm: _____
Date: _____

APPENDIX B
Page 1

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE [YEAR] FINANCIAL STATEMENTS

	STANDARD HOURLY		QUOTED HOURLY	
	Hours	Rates	Rates	Total
Partners				
Managers				
Supervisory staff				
Staff				
Other (specify):				
Subtotal				
Total for Services				
Described in Section II E of the RFP (Detail on subsequent pages)				
Out-of-pocket expenses:				
Meals and lodging				
Transportation				
Other (Specify):				
Total all-inclusive maximum price for 1995 audit				

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

APPENDIX B

Page 2

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE 1995 FINANCIAL STATEMENTS:
COMBINING SCHEDULE - ALL SERVICES
DESCRIBED IN RFP SECTION II E

Nature of Service to be Provided	Total Price	Schedule

EACH SERVICE DESCRIBED IN RFP SECTION II E SHOULD BE SUPPORTED BY AN INDIVIDUAL SCHEDULE IN THE FORMAT PROVIDED ON PAGE 3 OF THIS APPENDIX.

Appendix B
Page 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE 1995 FINANCIAL STATEMENTS:
SUPPORTING SCHEDULE FOR [NAME OF SERVICE]

	STANDARD HOURLY		QUOTED HOURLY	
	Hours	Rates	Rates	Total
Partners				
Managers				
Supervisory staff				
Staff				
Other (specify):				
Subtotal				
Out-of-pocket expenses:				
Meals and lodging				
Transportation				
Other (Specify):				
Total price for (NAME OF SERVICE)				

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.