

FLORENCE COUNTY

SOUTH CAROLINA

REQUEST FOR PROPOSAL

FOR INDEPENDENT AUDIT SERVICES

APRIL 24, 2012

REQUEST FOR PROPOSAL NO. 11-11/12
INDEPENDENT AUDITING SERVICES
FLORENCE COUNTY, SOUTH CAROLINA

TO: ALL INTERESTED VENDORS

DATE: April 24, 2012

Florence County is soliciting proposals from qualified certified public accounting firms for an independent audit of the financial statements of Florence County and preparation of the comprehensive annual financial report for the fiscal years ending June 30, 2012, 2013, 2014, 2015, and 2016. Such reports are to be prepared in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

The attached Request for Proposals dated April 24, 2012, contains relevant information necessary for your firm to provide Florence County with a proposal for this audit. We respectfully request your consideration in this matter.

A mandatory pre-proposal conference is scheduled for April 24, 2012, at 11:00 a.m. in Room 803, City-County Complex, Florence, South Carolina. Attendance at this pre-proposal conference is required in order to be considered for selection. The scheduled opening of proposals is set for May 24, 2012, at 11:00 a.m. in Room 803, City-County Complex, Florence, South Carolina.

Any questions that you may have should be referred to the County Finance Director, Mr. Kevin Yokim, (843) 665-3013. Any questions that you may have after the pre-proposal conference should be submitted in writing and can be faxed to Mr. Yokim's attention at (843) 665-4515. A copy of questions received and answers to those questions will be forwarded via fax to each firm attending the pre-proposal conference.

Sincerely,

Kevin V. Yokim, CPA, CGFO
Finance Director

REQUEST FOR PROPOSALS NO. 11-11/12
INDEPENDENT AUDITING SERVICES
FLORENCE COUNTY, SOUTH CAROLINA

PART I. INTRODUCTION

A. BACKGROUND

Florence County is organized in accordance with the Council Administrator form of government under the Home Rule Act of 1975. The County provides a full array of services to a population of approximately 135,000. Florence County is governed by a nine member County Council, which is responsible for setting County operating policies, creating needed ordinances, and with balancing the County's annual budget. The County Administrator is the chief administrative officer for the county. The County employs approximately 750 persons on a permanent full time basis.

The County's accounting system is organized and operated on a fund basis. Funds are maintained using a modified accrual system. Revenues are recorded as received or accrued if they are both measurable and available to finance expenditures of the fiscal period. The accounting records for the Enterprise funds are maintained on the accrual method. The County established a fixed asset account group in 1989 to establish accountability for the County's general fixed assets. The County Administrator establishes the budgeted revenue and expenditures, using the basis of accounting that is appropriate for the fund involved. Appropriations are made by Council. Encumbrance accounting is used to provide management control, and is integrated into the budgetary reporting process. Outstanding encumbrances at year-end are considered as expenditures for budgetary purposes and as reservations of fund balance in the Governmental fund types where they do not constitute accrued expenditures. The County has a fully computerized integrated general ledger system with all funds having equity in a centralized cash management system. The Treasurer invests funds held in this cash management system. The County utilizes the computer system for on-line collection of taxes, ambulance bills, and other fees that are automatically posted to the general ledger. The computer is an IBM AS/400 with approximately 200 peripherals.

B. GENERAL INFORMATION

1. The proposal must be submitted to the Procurement Department office no later than 11:00 a.m., Thursday, May 24, 2012, in accordance with the conditions specified in Part II, Instructions to Vendors, of this package. Proposals that are not submitted according to the instructions cannot be accepted or considered.
2. The contract will be awarded within sixty (60) calendar days from the date of opening of the proposals. No proposal may be withdrawn until the expiration of that time. Florence County reserves the right to negotiate with the successful proposer, such revisions as may be agreed upon, to include fees and scope of service; and, further, to formally terminate negotiations should a satisfactory final contract not be negotiated.

3. Florence County Council reserves the right to reject any or all proposals and to waive formalities or technicalities insofar as it is legally authorized to do so in the best interest of the County.
4. Contracts for work under this proposal will obligate the firm not to discriminate on the grounds of race, color, creed, religion or national origin in their employment practices.
5. Proposals submitted must be in a form suitable for incorporation, verbatim, into the contract.
6. No written contract may be assigned, sublet, or transferred without the written consent of the County Administrator.
7. Contract for audit services, including the management letter, the comprehensive annual financial report, and all other required services, shall be for a firm fixed price, for each of the next five years. Unit prices for additional services will be specifically identified.
8. The contract will be a five-year contract, with a stipulation that, at the County's option, the contract may be canceled prior to the third year.
9. The contractor shall furnish the necessary qualified personnel, facilities, materials and services, and working closely with Florence County and its Finance Department as well as the County Treasurer and other County departments as required, accomplish the work set forth as detailed herein.
10. All services will be provided in accordance with specifications provided herein.

C. COMPREHENSIVE ANNUAL FINANCIAL REPORT

Florence County has prepared a comprehensive annual financial report (CAFR) and has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) since the fiscal year ending June 30, 1998 through 2010 and is currently awaiting the receipt of this award for the fiscal year ended June 30, 2011. It is the County's intention to continue to prepare and submit a CAFR on an annual basis. The County currently produces the entire CAFR; therefore, the only documents to be provided by the auditor are the necessary opinion letters and compliance reports.

D. CHANGES IN GASB STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments in June 1999. Under the guidelines of this Statement, Florence County is a phase 2 government and, accordingly, the requirements of this statement became effective for Florence County for the fiscal year ended June 30, 2003 and the County has adopted the provisions of this statement. In addition, GASB has recently issued Statement No. 45 with regard to other post-employment benefits (OPEB). Florence County currently offers OPEB to certain retirees and the County has adopted the provisions of this Statement for the fiscal year ending June 30, 2009. Also, Florence County intends to comply with any new statements issued by the Governmental Accounting Standards Board as they become effective. The effects of the

implementation of any new statements on the scope of the audit should be taken into consideration in developing your proposal.

E. ASSISTANCE AVAILABLE TO PROPOSER

Florence County will render assistance to the selected audit firm and will respond promptly to requests for information, provide all necessary books and records, and provide the physical detailed trial balances and supporting schedules. The staff and equipment are available for auditing purposes. The County Attorney will issue a representation letter, upon request of the auditor, of suits, threatened litigation, or other actual or contingent liabilities.

PART II. INSTRUCTIONS TO VENDORS

A. SUBMISSION OF PROPOSALS

Seven (7) copies of the proposal must be submitted to the County Procurement Department no later than 11:00 a.m., Thursday, May 24, 2012. Proposals submitted must be in sealed envelopes and clearly marked as follows: "INDEPENDENT AUDITING SERVICES - REQUEST FOR PROPOSAL NO. 11-11/12". Proposals can be hand delivered to Room B-5 of the City-County Complex. Proposals submitted by mail must meet the same requirements and should be addressed as follows:

Florence County Procurement Department
180 N. Irby St. MSC-R
Florence, South Carolina 29501

If the proposals are mailed, it is the sole responsibility of the vendor to have the proposal delivered to the county by the date and time specified in the RFP. Any proposals received later than the specified date and time will not be accepted or considered.

B. FORMAT OF PROPOSALS

In order to simplify the review process and enable the County to make an equitable and objective comparison among the proposals, proposals must be organized according to the following format. They must be submitted in seven copies:

1. TITLE PAGE: Include the Proposal name, "Independent Auditing Services - Request for Proposal Number 11-11/12", and the name of the proposer's firm along with the address, telephone number, name of contact person and the proposal date.
2. TABLE OF CONTENTS: Include a clear identification of the material by section and page number.

3. REQUIRED INFORMATION: This information should be identified by section and page number, as indicated in the table of contents. It should be sequenced in the same format as listed below:

a.) Overview or summary of proposal: This section should clearly state the proposer's understanding of the work to be done and make a positive commitment to perform the work within the time specified in the report requirements.

1.) Auditor's view of goals and objectives of audit. The proposer must clearly state his views of the goals and objectives of the audit process, indicating a clear understanding of the interface between the operation of County government and utilization of the accounting system as a management information system.

2.) Audit work plan: Summarize the firm's approach to organization and conduct of the audit. State total estimated time that would be devoted to the audit and give breakdown by major segment and by assignment for each staff level or member. This section should be indicative of the proposer's approach toward organization of the required work and its ability to provide the County a comprehensive audit of the county's financial statements and recommendations related thereto.

b.) Qualifications and technical experience of proposer:

1.) South Carolina Counties: Provide a list of South Carolina counties audited during the past three years by your firm and/or under the supervision of the partner who will supervise the Florence County audit. Include names of contact persons with address and telephone numbers. Briefly describe the scope of the audits, indicating the annual general fund operating budget and the level of computerization of the client's records.

2.) Other local governments and fund accounting entities: Provide a list of other local governments and fund accounting entities audited during the past three years by your firm and/or under the supervision of the partner who will supervise the Florence County audit. Include names of contact persons with address and telephone numbers. Briefly describe the scope of the audits, indicating the annual general fund operating budget and the level of computerization of the client's records.

Also, designate from the above two lists local government clients for whom the proposing firm has prepared a Single Audit.

It is required that the proposing firm submit a copy of the report on its most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific government engagements.

It is also required that the proposing firm provide information on the results of any federal or state desk reviews of its audits during the past three years. In addition, the proposing firm must provide information on the circumstances and status of any disciplinary action taken or pending against the firm or any of its professional personnel during the past three years with the South Carolina Board of Accountancy, the AICPA, or the South Carolina Association of CPA's.

- c.) Personnel Qualifications: Education and experience of the audit supervisor and staff to be assigned to the audit: List all management and staff accountants who will work on the audit. Show staff levels, e.g., partner/manager, senior accountant, or junior accountant. Include, as appendix 1, the resumes of professional staff to be assigned to the audit. Resumes must include lists of continuing education courses related to government accounting and auditing attended by personnel during the past three years, with dates of attendance.
 - d.) Audit Fees: Fixed fee for audit services and costs for additional services.
 - 1.) Fixed Fee: Provide an all-inclusive fixed fee for conduct of the audit for each of the next five years. This fee must include the financial report, the management letter, and all other required services and related expenses, as well as any reasonable additional services which may be included.
 - 2.) Fees for additional services: Describe the scope of any additional services that may be included in the fixed fee under a contract with the County. Give an average hourly rate for provision of additional services that may be required by the County, which are outside the scope of and not included in the fixed fee for the audit contract.
 - e.) Overall Responsibility: Identify the partner with overall responsibility for project management and completion. (Include name, title, address, and telephone number) This individual should be authorized to negotiate and bind proposer. It is not a requirement that this individual be the audit manager.
- 4.) MANDATORY CRITERIA: Provide a statement affirming each of the following requirements:
- a.) Licensed CPA firm: Affirm that the proposer is a properly licensed certified public accounting firm in the State of South Carolina.
 - b.) Independence Standards: Affirm that the proposer meets the independence requirements as defined by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and/or any later pronouncements, and the independence standards of the South Carolina Board of Accountancy.

- 5.) SPECIAL CONDITIONS: The following conditions, enumerated in Part III, Special Conditions of the Proposal, will be required conditions in the contract between the County and the successful proposer. Provide a general statement mentioning each of these items, which affirms your firm's commitment to meet all of the conditions. Add any clarification deemed appropriate. The County reserves the right to hold non-responsive, any proposer who cannot meet all of the special conditions:
- a.) Scope of Audit.
 - b.) Report Requirements.
 - c.) Contractual Arrangements.
 - d.) Management Letter.
 - e.) Unqualified Opinion.
 - f.) Draft Report.
 - g.) Report Review.
 - h.) Submission of Final Report to County Council.
 - i.) Single Audit.
 - j.) Work Papers.
 - k.) Consultation.
 - l.) Review of Internal Controls.
 - m.) Additional Services.
 - n.) Comprehensive Annual Financial Report.
 - o.) Changes in GASB Standards.

C. EVALUATION OF PROPOSALS:

- 1.) DISCLOSURE OF PROPOSERS: The proposals shall be publicly opened and only the names of the proposers will be disclosed at the proposal opening. Contents of the competing proposer's proposals shall not be disclosed during the evaluation or negotiation phases. Proposals shall be available for public inspection after award of the contract. Proprietary or confidential information (i.e., customer lists, financial reports, etc.), if marked as such, shall not be disclosed without the written consent of the proposer. Proposer shall identify such information by writing "CONFIDENTIAL" on such items.
- 2.) RESPONSIVENESS AND RESPONSIBILITY: The County Procurement Department will review the proposals and determine whether County standards of responsiveness and responsibility have been met, including whether the prospective proposer has:
- a.) available the appropriate financial material, equipment, facility, and personnel resources and expertise, or the ability to obtain them, necessary to indicate its capability to meet all contractual requirements;
 - b.) a satisfactory record of performance;
 - c.) a satisfactory record of integrity;
 - d.) qualified, legally, to contract with the County;
 - e.) supplied all necessary information in connection with the inquiry concerning responsibility; and

Determinations of non-responsibility will be made in writing and such proposals will not receive further consideration.

3. EVALUATION CRITERIA: A panel will evaluate the proposals according to the following criteria:
 - a.) Technical Expertise of Firm.
 - 1.) Audits of South Carolina Counties during the past three years, under supervision of audit supervisor and/or by this firm. (25 points)
 - 2.) Audits of other local government and fund accounting entities during the past three years, under supervision of audit supervisor and/or by this firm. (10 points)
 - b.) Qualifications (education and experience) of the audit manager and staff to be assigned to the audit. Education, including continuing education courses, taken during the past three years, which are related to governmental accounting and auditing.
 - 1.) Qualifications of the audit manager. (15 points)
 - 2.) Qualifications of audit staff. (10 points)
 - c.) Responsiveness of overview or summary of proposal.
 - 1.) Statement of Auditor's goals and objectives. (7 points)
 - 2.) Organization and approach to audit. Total estimated time to complete audit and estimated time allocated to each major work plan segment and estimated time assigned for each staff level or member. (13 points)
 - d.) Audit Fees.
 - 1.) Fixed fee for the audit during the five-year period. (16 points)
 - 2.) Average hourly rate for additional services. (4 points)

D. SELECTION:

1. FINAL CONTRACT NEGOTIATION: The County Administrator will negotiate a final contract with the responsible proposer whose proposal, conforming to the request for proposals, will be most advantageous to the County, based on the evaluation panel's review.
2. INABILITY TO NEGOTIATE A FINAL CONTRACT: Should the proposer and the County Administrator be unable to negotiate a satisfactory final contract in accordance with the firm's proposal and the general terms of the RFP, negotiations with that firm shall be formally terminated.
3. PRIORITY LIST OF PROPOSERS: Negotiations will proceed in this manner down the priority list of proposers until contract terms are agreed upon or until a decision to solicit additional proposals is made.
4. REVISIONS In negotiating final contract terms, mutually agreed upon revisions in the proposals, which are generally consistent with the proposal documents, may be made prior to award for the purpose of obtaining the best and final offer.

PART III: SPECIAL CONDITIONS OF THE PROPOSAL

- A. SCOPE OF AUDIT SERVICES REQUIRED: The required services include an audit of the financial statements. The selected firm will audit the comprehensive annual financial report of all funds and account groups of Florence County, South Carolina, and the combining, individual fund, and account group financial statements of the County as of and for the year ended June 30th of the years under contract. The audit will be made in accordance with generally accepted auditing standards and, accordingly, will include such tests of the accounting records and such other auditing procedures as may be considered necessary. The audit shall conform to Government Auditing Standards, issued by the Comptroller General of the United States. With respect to federal and state grants received by the County, the audit shall also be made in accordance with U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

The contract for services will require provision of the formal audit report, compliance reports as required by Circular A-133, the management letter, and other such services as are included herein as well as any other services as may be proposed by the successful proposer. The specific requirements are detailed in the following paragraphs.

- B. REPORT REQUIREMENTS: The audit report will be addressed to the Honorable Chairman and County Council and will include the financial statements for all funds and account groups of Florence County. The audit report of the financial statements must state the scope of the audit and that the audit was performed in accordance with generally accepted auditing standards, and must include an opinion as to whether the statements conform to generally accepted accounting principles. Compliance reports must include a statement that the audit was performed in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The audit report must state whether the audit disclosed any instances of material non-compliance with the requirements referred to above. The schedule of findings and questioned costs must be presented in enough detail for management to be able to clearly understand and resolve any findings or questioned costs.
- C. CONTRACTUAL ARRANGEMENTS: General contract provisions shall include but are not necessarily limited to the following:
- 1.) Periods under the contract: The audit services shall be provided for the five fiscal years, beginning with the year ending June 30, 2012, and ending with the year ending June 30, 2016.
 - 2.) Firm fixed fees: A firm fixed fee for each of the five years shall be established, to include all services included in this section, as well as any other services, such as are included in the fixed fee by the auditor in his proposal.

- 3.) County option to cancel contract: The contract will stipulate that the County shall have the option, to be exercised prior to February 15, 2014, to cancel the contract after the first two years.
 - 4.) Average hourly rate for additional services: An average hourly rate shall be specified for additional services, such as may be required by the County, which are outside the scope of the audit contract and not included in the fixed fee therefor.
 - 5.) Financial advice and counsel on certain matters: The auditor will provide financial advice and counsel on matters occurring throughout the year that would significantly affect the annual report, and/or compliance with applicable new, or changes in accounting procedures.
- D. MANAGEMENT LETTER: The auditor must prepare a management letter disclosing conditions that should, in the auditor's opinion, be evaluated by management, and corrective actions taken. The management letter should also include findings, observations, opinions, comments, or recommendations with regard to the internal control structure, accounting systems, compliance with laws, rules, and regulations or any other material matter that may come to the attention of the auditor during the course of the audit. Such findings, observations, opinions, comments, or recommendations shall not be construed as special or additional studies, but shall be limited to those usually associated with such an audit.
- E. UNQUALIFIED OPINION: The County expects the selected auditing firm to issue an unqualified opinion on the individual, combining, and combined County's financial statements. If during the performance of the audit, the auditing firm concludes an unqualified opinion cannot be issued, the auditing firm must promptly, and in no case later than October 15 following the close of the audited fiscal year, notify the County Administrator in writing stating all matters that preclude the issuance of an unqualified opinion.
- F. DRAFT REPORT: The auditor must submit a draft of the audit opinion and compliance reports to the County Administrator and to the Finance Director not later than 15 days prior to the issuance of the final opinion and reports.
- G. REPORT REVIEW: At the time of submission of the draft opinion and reports, the audit manager will be required to review these drafts with the County Administrator and the Finance Director. Management letter items and single audit compliance reportable conditions should be discussed with the County Administrator and the Finance Director as early as possible, but no later than the time of the review of the draft.
- H. SUBMISSION OF FINAL REPORT TO COUNTY COUNCIL: The audit manager shall be present at the County Council meeting at which the comprehensive annual financial report is presented to County Council.

- I. SINGLE AUDIT: A report on compliance with internal control in accordance with OMB Circular A-133 shall be made for all state and federal grants and loans, as a part of the audit.
- J. WORKPAPERS: The selected auditing firm must retain all workpapers for a period of at least three years following the close of the contract. Further, the workpapers must be available for examination by authorized representatives of the cognizant federal audit agency. Copies of workpapers supporting specific financial statement items will be available to authorized county representatives upon request.
- K. CONSULTATION: The audit manager or a designee must be available on an as needed basis for advice and consultation regarding accounting and financial reporting matters, and for review of workpapers where applicable.
- L. REVIEW OF INTERNAL CONTROLS: An evaluation is to be made of the internal control structure to assess the extent upon which it can be relied to insure accurate information, to ensure compliance with law and regulations, and to provide for efficient record-keeping and effective controls. This evaluation should include a review of the internal control procedures and tests for compliance that will provide reasonable assurances that the procedures are being applied as prescribed. Data processing procedures are to be reviewed to enable the auditors to point out procedural weaknesses that may have an adverse effect on internal control, and to determine procedures test will assist in providing for greater efficiency and more effective controls.
- M. ADDITIONAL SERVICES: Certain work may be required relative to the County accounting systems and procedures that is not within the scope of the contract for audit services. The County reserves the right to secure such services from the successful proposer for audit services at fees, such as are specified in the contract for audit services. Two specific areas being considered for additional services relate to a fiscal impact study for the Florence Civic Center and review of the County's process of the handling of federal seizure funds in accordance with federal guidelines. It is anticipated that the first year's audit may involve comments that are advisory in nature and the second year's audit may involve comments that are more compliance based.
- N. COMPREHENSIVE ANNUAL FINANCIAL REPORT: It is the County's intention to submit a comprehensive annual financial report (CAFR) to the Governmental Finance Officers Association (GFOA), under its program for a Certificate of Achievement for Excellence in Financial Reporting. Accordingly, the County currently produces the entire CAFR; therefore, the only documents to be provided by the auditor are the necessary opinion letters and compliance reports.

- O. CHANGES IN GASB STANDARDS: The Governmental Accounting Standards Board (GASB) issued Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments in June 1999. Under the guidelines of this Statement, Florence County is a phase 2 government and, accordingly, the requirements of this statement became effective for Florence County for the fiscal year ended June 30, 2003 and the County has adopted the provisions of this statement. In addition, GASB has recently issued Statement No. 45 with regard to other post-employment benefits (OPEB). Florence County currently offers OPEB to certain retirees and the County has adopted the provisions of this Statement for the fiscal year ending June 30, 2009. Also, Florence County intends to comply with any new statements issued by the Governmental Accounting Standards Board as they become effective. The effects of the implementation of any new statements on the scope of the audit should be taken into consideration in developing your proposal.
- P. NON-RESPONSIVENESS: The County may consider as non-responsive, any firm which fails to provide all required information on required forms addressing all items of information requested in the proposal including all information required in this section.
- Q. RIGHT TO REJECT: Florence County reserves the right to reject any and all proposals, the right in its sole discretion to accept the proposal it considers most favorable to the County’s interest, and the right to reject all proposals and seek new proposals when such procedure is reasonable in the best interest of the County.