

Bidders Company Name

# REQUEST FOR PROPOSAL

## #6345

**For The Annual Financial Audit,  
Compliance Audit,  
And Single Audit of**

**WASHTENAW COMMUNITY  
HEALTH ORGANIZATION**

**and its affiliate partners in the**

**COMMUNITY MENTAL HEALTH  
PARTNERSHIP OF SOUTHEAST MICHIGAN**

Prepared By:

Washtenaw County Purchasing  
Administration Building  
P.O. Box 8645  
220 N. Main B-35  
Ann Arbor, MI 48107

Robert G. Devault, C.P.M.  
Purchasing Manager  
(734) 222-6760





## WASHTENAW COUNTY

Finance Department  
Purchasing Division  
220 N. Main Street  
Ann Arbor, MI 48107-8645  
Phone (734) 222-6760, Fax (734) 222-6764

### REQUEST FOR PROPOSAL #6345

Washtenaw County Purchasing Division, on behalf of the Washtenaw Community Health Organization, is issuing a Sealed Request for Proposal (RFP) #6345 for The Annual Financial Audit and Single Audit of Washtenaw Community Health Organization and its affiliate partners in the Community Mental Health Partnership of Southeast Michigan (CMHPSM).

**Pre-proposal Conference:** A conference, not required, for firms interested in submitting proposals will be held on Monday, July 30<sup>th</sup> at 3:00 pm at the Human Services Center, Room 107, 555 Towner Ypsilanti, MI. Both verbal and written questions will be accepted and addressed during the conference.

**Sealed Proposals:** Vendor will deliver one (1) original and five (4) copies to the following address:

Washtenaw County  
Administration Building  
Purchasing Division  
220 N. Main St. Room B-35  
P.O. Box 8645  
Ann Arbor, MI. 48107

**By 3:00 p.m. on Monday August 20, 2007.**

**This submission shall include the entire Request for Proposal document and any amendments if issued.**

**Proposals received after the above cited time will be considered a late quote and are not acceptable unless waived by the Purchasing Manager.**

- Please clearly mark the envelope as: "**SEALED RFP #6345**"
- Please direct purchasing and procedural questions regarding this RFP to Robert G. Devault C.P.M. at (734) 222-6760 or [devaultb@ewashtenaw.org](mailto:devaultb@ewashtenaw.org)
- Please direct specific technical questions regarding this RFP to Linda Brown at (734) 544-6814 or

Thank you for your interest.

**Rfp #6345 Annual Financial Audit Services**

The Annual Financial Audit and Single Audit of Washtenaw Community  
Health Organization and CMHPSM  
RFP 6345

Affiliation Executive Committee review of RFP	07/02/2007
WCHO Regional Subcommittee review of RFP	07/11/2007
Bid is advertised and printed	07/22/2007
Letters go out to potential bidders	07/22/2007 (Approx.)
Bid Available to potential bidders	07/22/2007
Optional Bidder's Conference (Human Services Center)	07/30/2007 (3:00pm)
Proposal due date	08/20/2007 (3:00pm)
Bid Opening	08/20/2007 (3:00pm)
Recommendation prepared for WCHO Board Committee	09/05/2007
Recommendation reviewed by WCHO Board Committee	09/12/2007
Recommendation reviewed by full WCHO Board	09/18/2007
Contract Begins	10/01/2007

**REQUEST FOR PROPOSAL #6345  
For The Annual Audit and Single Audit of the  
Washtenaw Community Health Organization (WCHO)**

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**I. NATURE OF SERVICES REQUIRED**

**A. General**

Washtenaw Community Health Organization (WCHO) is the Prepaid Inpatient Health Plan (PIHP) for the Community Mental Health Partnership of Southeast Michigan (CMHPSM). This Partnership also includes Lenawee County Community Mental Health Authority (CMHA), Livingston County CMHA, and Monroe County CMHA.

The PIHP is requesting proposals from qualified firms of certified public accountants:

1. To perform the annual financial audits and Single Audits, where applicable, of all four Counties within the CMHPSM (an audit of all funds for each County);
2. To perform compliance Audits for each County; and
3. To provide professional consulting services as requested.

A three year contract commitment is contemplated, (one initial year with two renewal periods), subject to the annual review and recommendation of the PIHP Administration, the satisfactory negotiation of terms (including an acceptable price), the concurrence of the WCHO Board, and the annual availability of an appropriation.

**B. Scope of Work to be Performed**

The PIHP desires a firm to complete the scope of work to be performed for each of the CMHPSM Affiliate members and in each of the following areas:

1. To express an opinion on the fair presentation of the financial statements in conformity with generally accepted accounting principles;
2. To complete a compliance audit in accordance with the requirements issues by the Michigan Department of Community Mental Health; and
3. To perform professional consulting services as requested.

**C. Auditing and Other Fiscal Standards To Be Followed**

To meet the requirements of this request for proposals, the accounting duties and 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 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the generally accepted auditing standards prescribed by the State of Michigan Department of Treasury and any applicable Michigan Public Acts.

**D. Preparing the Reports / Reports to be Issued**

Please provide a price for preparing the Annual Financial Report and providing thirty (30) copies of the final report. The auditor shall be responsible for preparing the Audit, including the following:

1. Opinion letter for use in the Annual Financial Report;
2. Single Audit and Data Collection Form;
3. Management Letter (if needed); and
4. Compliance with CMH Guidelines.

## **Rfp #6345 Annual Financial Audit Services**

The auditor shall also submit two (2) copies of the final audit to the State Department of Treasury within the 90-day required time frame.

Management Letter - The auditor shall communicate in the management letter to the respective CMHA Administrations and their Boards. The auditors shall also communicate to the PIHP any reportable conditions found with any of the affiliates 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.

Irregularities, Fraud, and Illegal Acts - Recommendations that are not of a significant deficiency may be included in a Consultation Letter to WCHO Administration. Auditors shall be required to make an immediate, written report of all irregularities, fraud, and illegal acts or indications of illegal acts of which they become aware to the respective Chief Executive Officer/ Director and to the PIHP CEO/Director and Counsel.

Single Audit - The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on the internal controls and compliance are not to be included in the individual comprehensive annual financial reports, but are to be issued separately. Each County will provide a detailed listing of appropriate federal expenditures prior to the start of the audit to assist the auditors in planning for the audit. The auditors will be responsible for preparing the Schedule of Expenditures of Federal Awards.

### **E. Due Dates for Reports to be Issued**

The Annual Financial Reports are to be issued no later than 80 days after the close of the fiscal year. This deadline will allow the report to be submitted to the State within the required 90 days.

### **F. Fiscal Year End Considerations**

The fiscal year runs from October 1 through September 30.

### **G. Reporting to the Finance Department**

Primary auditing, accounting, and consulting oversight will be performed in the respective CMHPSM agency Finance Departments. Auditors shall assure themselves that the Finance Department 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.

**H. 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 ten years, unless the firm is notified in writing by the PIHP 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:

- Washtenaw Community Health Organization
- Lenawee CMHA
- Livingston CMHA
- Monroe CMHA
- Parties designated by federal or state governments or by the above agencies as part of any audit or quality review process.

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.

**II. DESCRIPTION OF THE GOVERNMENT**

**A. Name of Contact Person/ Certain Key Personnel**

The auditor's principal contact with the PIHP will be Linda L. Brown, Deputy Director and Chief Financial Officer for the WCHO, at (734) 544-6814, or a designated representative, who will coordinate the assistance to be provided by the CMHPSM Affiliate Counties. A list of certain key personnel for the audit is included below:

For the WCHO:

- Kathleen M. Reynolds, WCHO Director
- Steven J. Sheldon, Deputy Director
- Jerold Lax at Bodman, Longley & Dahling, WCHO Counsel
- Catherine McClary, Treasurer, Washtenaw County Treasurer's Office

For Lenawee CMHA:

- W. Roger Myers, Executive Director
- Deborah Strayer, Accounting Manager
- Eric Kurtz, Consultant

For Livingston CMHA:

- Angus M. Miller IV, Executive Director
- Gerard Noel, Associate Direct of Finance and Contract Administration
- Arlene Maciag, Accounting Supervisor

For Monroe CMHA:

- Jane S. Terwilliger, CEO
- Jeffrey R. Stoll, Finance Director

**B. Background Information**

*Washtenaw Community Health Organization (WCHO)* is located in the southeast region of Michigan's Lower Peninsula, approximately 40 miles west of Detroit. Washtenaw County has a population of 322,895 (based on the 2000 census). Its major cities are Ann Arbor, with a population of approximately 114,000, and Ypsilanti with a population of approximately 22,000.

The WCHO, including its role as the Livingston-Washtenaw Substance Abuse Coordinating Agency, has a total annual payroll of approximately \$6,400,000. Staffing consists of approximately 85 full time equivalents. The staffing is provided through an Employee Leasing Agreement with Washtenaw County. The employees retain all benefits under the County, including non-union and union membership, fringe benefits, and retirement benefits.

The accounting and financial reporting functions of the WCHO are the responsibility of the WCHO Finance Department. Cash and fiduciary responsibilities, however, are contracted out to the Washtenaw Treasurer's Office. The Accounts Payable function is completed by WCHO staff but the issuance of checks is through the County. All documentation supporting payments is maintained by the WCHO.

*Lenawee CMHA* is located in Adrian, Michigan, the County seat of Lenawee County. Lenawee County is a rural community bordering Ohio in the southeast region of Michigan. The population of Lenawee County is approximately 101,786 (as of 2003).

Lenawee CMHA directly employs a staff of 65 FTE for an annual payroll of approximately \$2,675,000. LCMHA administers its own fringe benefit package and pension plan. The employees are not unionized.

Lenawee CMHA maintains two components: the General Fund and the Hendershot Fund. The General Fund includes the bulk of the agency operation with expenditures accounted for by program (function). The general ledger currently contains 16 programs. The Hendershot Fund is a permanent fund which restricts the use of funds for the research of causes and treatment of mental illness. The fund was originally formed from a bequest to the agency.

The accounting, financial reporting, and accounts payable functions are the responsibility of LCMHA staff. All documentation supporting payments is maintained by LCMHA.

*Livingston CMHA* is located approximately 35 miles east of Lansing. Livingston has a population of 156,951, based on the 2000 Census. Population estimates for 2003 based on the Livingston County Data Book & Community Profile is 174,880, an 11.4% increase from the 2000 Census. The Southeast Michigan Council of Governments forecast that the Livingston County population will continue to grow over the next thirty years at an approximate 18-26 percent change per decade.

Livingston expenditures for the fiscal year that ended September 30, 2006 was \$18,087,913. Livingston's Fund Balance is \$2,721,035, with \$5,188,071 in assets. Expenditures for personnel for direct-operated programs and administration last fiscal year was \$7,237,191. Balance of expenditures was for contracted services and other operating cost. Livingston received \$11,919,804 from WCHO in Medicaid, and received \$4,306,202 in State General Fund.

Livingston maintains two Funds, the General Fund (referred to by the state as Special Revenue), and a Children's Pooled Funding. The General Fund includes services to people with a serious mental illness, children with a serious emotional disturbance, and adults and children with a developmental disability. The funding streams include Medicaid, State General Fund, Adult Benefit Waiver, MI-Child, fee for service Children's Waiver, County appropriation and other local funds, Federal Block grants, HUD affordable housing grant, and numerous earned contracts. The Children's Fund is supported with contribution by various state, local agencies, and other agencies. A community team coordinates services and resources for children and adolescent at risk of residential placement.

*Monroe CMHA* is located in the southeastern corner of Michigan, along the I-75 corridor between Toledo, Ohio and Detroit, Michigan. Monroe County has an estimated population of 153,935 (as of 2005). Monroe CMHA employs approximately 150 full-time employees. The FY2007 budget is \$26.2 million; payroll salaries and benefits are approximately \$9.6 million; and contracts for clinical services are approximately \$11.9 million. Monroe CMHA is unionized; bargaining unit staff are represented by AFSCME Local 2529. The accounting and financial reporting functions are the responsibility of MCMHA staff; and all supporting documents are maintained on site.

### **C. Budgetary Basis of Accounting**

Budgets are prepared consistent with generally accepted accounting principles. The fund accounting is processed under the modified accrual basis.

### **D. Pension Plans and Other Post Employment Benefits**

*WCHO* leases staff from Washtenaw County. The county participates in a single-employer defined benefit pension plan, a single-employer defined contribution plan, a single-employer defined benefit post employment healthcare plan, and a multi-employer defined benefit plan (MERS). Actuarial services for the defined benefit plan and the health portion of the defined contribution plan are provided by Gabriel, Roeder and Smith.

*Lenawee CMHA* directly employs its staff. When the agency was granted Authority status in 1998, the staff voted not to participate in Social Security. LCMHA contributes to a 401(a) Money Purchase Plan through ICMA Retirement Corporation as a

replacement for Social Security. The employees have the option of also contributing to the plan.

LCMHA has a defined benefit pension plan. Employees contribute a mandatory 2.5% of salary to the plan, and LCMHA currently contributes 11.27%. Staff also have the option of contributing to a 457 Deferred Compensation Plan.

*Livingston CMHA* participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit plan that covers substantially all of the employees. The most recent period for which actuarial data was available was for the year ended December 31, 2005. Livingston's payroll for the employees covered by the system for the year ended December 31, 2005 was \$4,734,889.

Effective January 1, 1999, Livingston CMHA voted to join an optional retirement plan instead of the Social Security system. All Livingston's employees are eligible to participate in this Plan. Nationwide Retirement Consulting Group is the organization used to invest plan funds.

All employees contribute a mandatory 6.2% of their wages to this plan. Livingston's contributes 5.69% of compensation, and provides long term disability coverage. Under this plan, employees are immediately 100% vested in their account.

*Monroe CMHA* participates in the Monroe County Employees Retirement System, which is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. In 1997, when MCMHA was granted Authority status, employees voted not to participate in Social Security. MCMHA contributes to a 401(a) Money Purchase Plan through Prudential Financial. Employees may also participate in a 457 Deferred Compensation Plan. Gabriel, Roeder, Smith, and Company provides actuarial services for the Monroe County Retirement System Plan.

## **E. Component Units**

*WCHO*: The management of the WCHO has identified component units for inclusion in the WCHO's financial statements. Please refer to the most recent audit for more detailed information regarding component units.

*Lenawee CMH* is a member of the Southeast Michigan Partnership, a HUB/spoke arrangement. WCHO receives the Medicaid on behalf of the partnership, and distributes the Medicaid on a cost settled basis to affiliate members.

*Livingston CMHA* is a member of the Southeast Michigan Partnership, a HUB/spoke arrangement. WCHO receives the Medicaid on behalf of the partnership, and distributes the Medicaid on a cost settled basis to affiliate members.

*Monroe CMHA* is a member of the Southeast Michigan Partnership. The WCHO receives the Medicaid on behalf of the partnership, and distributes the Medicaid funds on a cost settled basis to affiliate members.

**F. Description of Financial Operations**

**WCHO:** The Finance Department is lead by Linda L. Brown, Finance Director, and consists of 8 employees. The principal functions performed and the number of employees assigned to each are as follows:

<i>Function</i>	<i>Number of Employees</i>
Administration/Budgeting	2.5
Accounting	2
Accounts Payable	1
Claims Processing	1.5
Support and Grant Coordination	1

Because the size of this department is small, duties may overlap; however, separation of duties for control purposes is maintained.

The Treasurer’s Office, Catherine McClary, Washtenaw County Treasurer, provides Fiduciary responsibilities for WCHO.

**Lenawee CMHA:** The Finance department of Lenawee CMHA consists of 4 employees. The principal functions performed are as follows:

Accounting, Budgeting, Cash Mgmt., Accounts Payable	1.0 FTE
Payroll, Purchasing, Billing/Claims Supervision	1.0 FTE
Billing	1.0 FTE
Claims processing	1.0 FTE

LCMHA funds flow through the Lenawee County Treasurer’s office into specific LCMHA bank accounts and investments. LCMHA staff are responsible for transferring funds among accounts and account reconciliation.

**Livingston CMHA:** The finance and contract administration function is managed by the Associated Director of Finance and Contract Administration with 7.5 FTEs. The functions of this unit consist of the following:

Budgeting/Reporting	Accounting
Purchasing	Payroll
Accounts Payable	Contract Management/Administration
Billing and Claims Adjudication	Information System Management/Support

***Monroe CMHA:***

The Finance Department of Monroe CMHA consists of 7.0 FTE employees. Principal functions performed are as follows:

Accounting and Financial Reporting	Accounts Payable
Accounts Receivable/Cash Receipts	Budgeting/Forecasting
Cash Management	Claims Processing
Client Financials/Payee	Contract Management
Insurance Billing	Grant Budgeting and Financial Reporting
Purchasing/Procurement	
Fixed Asset, Fleet, Facilities, and Environment of Care Management	

MCMHA funds flow through the Monroe Bank & Trust Company, which provides all of the agency's banking needs. All transactions are the responsibility of MCMHA staff.

**G. Computer Systems**

***WCHO*** uses the financial system One World, which is provided through Washtenaw County. The claims/encounter/clinical record system is a web-based, relative database developed with our vendor PCE. Other software used includes: Microsoft Excel, Word, and Access, Visio, PowerPoint. Email is Outlook.

***Lenawee CMHA*** uses USL Financials software purchased from and maintained by Public Sector Solutions for General Ledger and Accounts Payable. Payroll is processed using Peachtree software. Manual journal entries are made to record the payroll data in the general ledger. LCMHA uses the same web-based claims/encounter/clinical record system as described by WCHO. Other software used includes: Microsoft Excel, Microsoft Word, and Microsoft Outlook (e-mail).

***Livingston CMHA*** uses Munis financial software, under a license agreement with Tyler Technology, for financial management, Encompass web-based software for clinical documentation, claims processing and adjudication, encounter reporting. Other software used includes: Excel, Word, Access, Visio, Power Point and Outlook. Livingston utilizes a server based system with Windows XP operating system, and deploys application to users Wintervals utilizing Citrix technology.

***Monroe CMHA*** uses the MUNIS financial software (Version 6.1d), under a license agreement with Tyler Technology, for financial management. The software contains modules for General Ledger, Accounts Payable, Accounts Receivable, Purchasing, Fixed Assets, Payroll/Personnel, Budget. The claims/encounter/clinical record system (Encompass) is a web-based, relative database software for clinical documentation, claims processing and adjudication, and encounter reporting. Other software used includes: Excel, Word, Lotus Notes, Power Point, and Visio.

**H. Availability of Prior Audit Reports and Working Papers**

Interested proposers who wish to review prior years' audit reports should contact Linda L. Brown (734) 544-6814. The PIHP will provide copies of prior year audit reports for all four counties upon request.

**III. 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:

Optional Bidder's Conference	7/30/2007
Proposal due dates (3:00 pm)	8/20/2007
Bid Opening (3:00 pm)	8/20/2007
Recommendation for WCHO Regional Subcommittee	9/12/2007
Contractor notified of bid award	9/14/2007
Contract begins	10/1/2007

**B. Audit Calendar**

An audit calendar will be developed annually by the PIHP and the auditor, cooperatively. The schedule shall include the following:

1. Entrance Conference
  - a. The date of the entrance conference will be determined by the Finance Director and representatives of the audit firm. In subsequent years, it will be held no later than two months prior to the end of the fiscal year.
  - b. The entrance conference will be held with the appropriate staff from each of the affiliate counties.
  - c. The purpose of the conference will be to discuss and set the audit calendar, which will include the following:
    - i. Date that books and records will be ready for the audit.
    - ii. Date the auditor's interim work will be completed.
    - iii. Date the auditor's detailed audit plan will be available.
    - iv. Date the CMHPSM-prepared schedules will be available.
    - v. Date the auditors will complete all field work.
    - vi. Dates progress reports are due from the auditor.
    - vii. Date the auditor will have drafts of the audit reports and recommendations to management.
    - viii. Date of Exit Conference.
    - ix. Discuss prior audit problems and interim work to be performed; establish overall liaison for the audit and make arrangements for the auditor's needs.
2. Progress Conference
  - a. Progress will be reported as needed.

3. Exit Conference
  - a. The Exit Conference will be held jointly with representatives from all four counties.
  - b. The purpose will be to summarize the results of the audits and review any significant findings.

#### **IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR, AND REPORT PREPARATION**

##### **A. Statements and Schedules to be Prepared by Respective Finance Staff**

The finance staff from the Finance Departments of each of the counties will prepare schedules for the auditors as determined at the entrance conference. Currently, the finance staff prepare or compile grant tie-out spreadsheets, balance sheet reconciliations and inpatient detail, Accounts Receivable detail, and Accounts Payable detail.

The finance staff and responsible management personnel from the counties will be available during the audit to assist the firm by providing information, further documentation and explanations as requested.

##### **B. Information Management staff**

The Director of the WCHO Information Management Department will be available to run Encompass reports as needed.

##### **C. Work Area, Personal Computer and Access to Financial Systems, Telephone, Photocopying, and Fax Machines**

Each County will provide the auditors with work space, tables, and chairs. The auditors will also be provided with access to a telephone, PC with access to the financial systems, photocopying facilities, and fax machines as needed to complete the audit.

#### **V. PROPOSAL REQUIREMENTS**

##### **A. General Requirements**

1. Pre-proposal Conference

A conference, not required, for firms interested in submitting proposals will be held on 7/30/2007 at 3:00 pm at 555 Towner, Room 107 Ypsilanti, Michigan. Both verbal and written questions will be accepted and addressed during this conference.
2. Costs of Preparing the Proposal

The CMHPSM will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.

**B. Submission of Proposal**

The WCHO 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 WCHO and the firm selected.

The proposal is required to be received by **3:00 pm on 08/20/2007** in order to be considered. **The outside of the proposal envelope should be marked:**

**PROPOSAL RFP #6345  
FOR ANNUAL FINANCIAL AUDIT, COMPLIANCE AUDIT,  
AND SINGLE AUDIT  
OF THE WASHTENAW COMMUNITY HEALTH ORGANIZATION  
AND ITS AFFILIATE PARTNERS IN THE  
COMMUNITY MENTAL HEALTH PARTNERSHIP  
OF SOUTHEAST MICHIGAN**

A master copy (so marked) and five copies of the proposal to include the following:

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.

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Transmittal Letter

A signed letter of transmittal shall be included briefly stating:

- i. the proposer's understanding of the work to be done,
- ii. the commitment to perform the work within the time period,
- iii. why the firm believes itself to be best qualified to perform the work,
- iv. a statement that the proposal is a firm and irrevocable offer for 90 days,
- v. 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 WCHO.

4. Detailed Proposal

The detailed proposal should follow the order set forth in Section V.C of this RFP (below).

The completed proposal in an envelope that complies with the requirements set forth above should be sent or delivered to:

**Washtenaw County  
Administration Building  
Purchasing Division  
220 N. Main Street,  
P. O. Box 8645  
Ann Arbor, Michigan 48107-8645**

## **C. Technical Portion of Proposal**

### **1. General Requirements**

The purpose of the technical portion of the proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake:

1. an independent audit and compliance audit of each County; and
2. professional consulting services as requested in conformity with the requirements of this RFP.

As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical portion of the 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 RFP requirements.

The technical portion of the proposal should address all the points outlined in this RFP. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of this RFP. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included. They represent the criteria by which the proposal will be evaluated.

### **2. Independence**

The firm must provide an affirmative statement that it is independent of the PIHP and the CMHPSM Affiliate Counties and all of its component units as defined by generally accepted auditing standards issued by the Comptroller General of the United States. The firm should also list and describe the firm's or any of its component units' professional relationships involving the PIHP and any of the CMHSPM Affiliate Counties for the past five 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 PIHP written notice of any professional relationships entered into during the period of this agreement.

### **3. License to Practice in Michigan**

An affirmative statement shall be included that the firm and all assigned key professional staff are properly licensed to practice in Michigan.

### **4. Firm Qualifications and Experience**

The firm shall state the size of the organization; the size of the firm's governmental auditing, accounting, and consulting 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 so employed on a part-time basis.

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 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 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 such person is registered or licensed to practice as a certified public accountant in Michigan. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three 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, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the PIHP. However, in either case, the PIHP 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 PIHP, 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 Washtenaw Community Health Organization**

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the PIHP by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, 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 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 shall set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section I of this RFP. In developing the work plan, reference should be made to such sources of information as the WCHO's Comprehensive Annual Financial Report, organizational charts, 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
- c. Sample size and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of 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 PIHP's and CMHPSM Affiliate Counties' internal control structures.
- 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
- i. Approach to be taken in completing the Compliance Audit
- j. Materials that will be requested from staff for audit

**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 PIHP and CMHPSM Affiliate Counties.

**10. Report Format**

The proposal should include sample formats for the Single Audit reports and Management Letter if they are to be in a different format than the current ones.

**D. Cost Portion of Proposal (Appendix A)**

**Total All-Inclusive Maximum Price per Year**

This section of the proposal should contain the total maximum pricing information relative to performing the auditing, accounting, and consulting engagements as described in this request for proposal. The total all-inclusive maximum price per year to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

**Rates for Additional Fees for Preparing the Audit**

Indicate the cost of providing 30-40 copies of the final report. Indicate any other fees that would be in addition to the total cost for each County's individual audit.

**Rates for Additional Professional Services**

Indicate the costs 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. Such additional work shall be performed only if set forth in an addendum to the agreement between PIHP and the firm. Any such additional work agreed to between the PIHP and the firm shall be performed at the same rates set forth in the proposal amounts described above.

**Manner of Payment**

One advance payment will be made at the time the audit starts. Upon full completion and receipt of the 50 copies of the Audit, the remaining amount due will be issued.

**VI. EVALUATION PROCESS**

**A. Review of Proposals**

Proposals submitted will be evaluated by the PIHP and representatives from the CMHPSM Affiliate Counties. During the proposal evaluation process, the PIHP reserves the right to request additional information or clarifications from proposers, or to allow corrections of errors or omissions.

**B. 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.

**a. Mandatory Elements**

- i. The audit firm is independent and licensed to practice in Michigan.
- ii. The firm has no conflict of interest with regard to any other work performed by the firm for the PIHP.
- iii. The firm adheres to the instruction in this request for proposal on preparing and submitting the proposal.
- iv. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

**b. Technical Quality: (Maximum Points - 75)**

**i. Expertise and Experience (Maximum Points – 55)**

- 1. The firm's past experience and performance on comparable Community Mental Health and Substance Abuse agencies (Maximum Points – 30)
- 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 (Maximum Points - 15)

3. Firm's involvement in developing government accounting and auditing policies/standards (Maximum Points - 5)
4. Firm's size and structure (Maximum Points - 5)
  - ii. Audit Approach** (Maximum Points - 20)
    1. Adequacy of proposed staffing plan for various segments of the engagement (Maximum Points - 10)
    2. Adequacy of sampling techniques (Maximum Points - 5)
    3. Adequacy of analytical procedures (Maximum Points - 5)
  - iii. Price** (Maximum Points – 25)

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. Cost will not be the primary factor in the selection of an audit firm.

### **C. Oral Presentations**

During the evaluation process, the RFP Review 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 Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations. Oral presentations **must** be attended by the partner, manager, and senior staff member assigned to the audit.

### **D. Final Selection**

The PIHP reserves the right to award this contract to more than one vendor for the different areas of work at the PIHP's discretion. The PIHP reserves the right to add additional vendors at any time to ensure adequate services. The PIHP Board will make the final decision on contract awards.

### **E. 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 WCHO and the firm selected. The WCHO reserves the right without prejudice to reject any or all proposals.

**Appendix A (Page 1 of 2)**

**SCHEDULE OF MAXIMUM ESTIMATED HOURS  
TOTAL AND ADDITIONAL FEES**

**FOR THE ANNUAL AUDIT, COMPLIANCE AUDIT AND SINGLE  
AUDIT FOR THE PIHP AND FOR THE INDIVIDUAL CMHPSM  
AFFILIATE COUNTIES**

**List the MAXIMUM ESTIMATED HOURS by professional classification for each  
of the years below:**

<b>Year Ended</b>	<b>Partners</b>	<b>Supervisory Managers</b>	<b>Staff</b>	<b>Staff Hours</b>	<b>Maximum Estimated Hours</b>
2007	_____	_____	_____	_____	_____
2008	_____	_____	_____	_____	_____
2009	_____	_____	_____	_____	_____
2010	_____	_____	_____	_____	_____
2011	_____	_____	_____	_____	_____
<b>2012(optional)</b>	_____	_____	_____	_____	_____
<b>2013(optional)</b>	_____	_____	_____	_____	_____

**List the TOTAL ALL-INCLUSIVE MAXIMUM FEE for each year below:  
Total All-Inclusive Additional Fee for Preparing the  
Maximum Fee CAFR and Providing 200 Copies**

<b>Year Ended</b>	<b>Total All-Inclusive Maximum Fee</b>	<b>Additional Fee for Preparing the CAFR and Providing 200 Copies</b>
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
<b>2012 (optional)</b>	_____	_____
<b>2013 (optional)</b>	_____	_____

**Appendix A (Page 2 of 2)**

**SCHEDULE OF HOURLY RATES  
FOR PROFESSIONAL INDEPENDENT CONSULTING SERVICES AS  
REQUESTED FOR WASHTENAW COMMUNITY HEALTH  
ORGANIZATION**

**List the HOURLY RATE by professional classification for each of the years below:**

<b><u>Year Ended</u></b>	<b><u>Partners</u></b>	<b><u>Managers</u></b>	<b><u>Supervisory Staff</u></b>	<b><u>Staff</u></b>
2007	_____	_____	_____	_____
2008	_____	_____	_____	_____
2009	_____	_____	_____	_____
2010	_____	_____	_____	_____
2011	_____	_____	_____	_____
2012 (optional)	_____	_____	_____	_____
2013 (optional)	_____	_____	_____	_____