

Livonia Public Schools

Director of Business Services

Date: April 25, 2012

To: Randy Liepa, PhD., Superintendent

From: Lisa Abbey, Director of Business Services

Re: Bid Results for Auditor

The three year agreement with Yeo and Yeo for audit services expired and we need to appoint an audit firm for 2012. As directed by the Board of Education we have completed a Request for Proposal for audit services for 2012-2014. In no way does our bidding for audit service reflect any dissatisfaction with the performance of our current auditing firm.

We shared the results of the bid with the Finance sub-committee on Monday April 23, 2012. It was agreed to bring the result to the Finance Committee on Monday April 30, 2012.

Attached please find detailed information on the bid including the information sent to auditing firms, the methodology used for evaluation and the results.

We are also currently compiling some additional information that was requested and we will bring that with us on Monday night.

LA/kp

c: Board of Education
Attachments

Results of Request for Proposal for Auditing Services 2012-14

On March 27, 2012 we sent an invitation to bid audit services to 27 firms. There were six firms that submitted proposals; Andrews Hooper & Pavlik, Doeren Mayhew, Hungerford & Co., Plante & Moran, Rehmann, and Yeo & Yeo.

We used a similar process of evaluation of the firms as we have in the past, including a similar bid form used by many other districts and available on the Michigan School Business Officials web site. Attached is a summary of results of the request for proposal:

Attachment A

Audit Response Tabulation – Summary and Audit Response Tabulation - Detail by firm.

We used the responses from the Audit Questionnaire and any materials sent by the firms to rank each firm

We have also attached the following detailed documents on the Request for Proposal:

Attachment B

Invitation to Bid Audit Mailing List – each firm was sent a proposal

Attachment C

A letter and Notice of Proposal requesting a detailed proposal for audit services

Attachment D

Audit Questionnaire to be completed by each firm and the audit proposal evaluation point system

We have evaluated all of the criteria in our questionnaire to determine the firm that would best meet our need for an outstanding audit and a broad range of financial and other services for the quoted price. The point distribution methodology is that the highest rank in a section gets the full distribution points for that section and all other points are awarded in terms of their relationship to the highest rank. Points are awarded in an individual section based on the answers to the audit questionnaire (i.e. the number of school district clients). We also completed personal reference calls on each of these firms.

The following is a summary of the bid results:

- Plante & Moran was the highest rated firm with total points of 100 (on a 100 point scale). The second highest firm had 63 points.
- The lowest fee schedule for three year total and average was Plante & Moran, three year total of \$123,500 and an average of \$41,167 per year.

**LIVONIA PUBLIC SCHOOLS
AUDIT RESPONSE TABULATION - SUMMARY**

AUDITING FIRM	TOTAL POINTS
Plante & Moran	100
Yeo & Yeo	63
Andrews Hooper & Pavlik	52
Doeren Mayhew	51
Hungerford & Co.	49
Rehmann *	42

* Rehmann's tabulation score reflects the fact that they did not submit answers to the audit questionnaire in which some scores were based on.

LIVONIA PUBLIC SCHOOLS
Audit Proposal Tabulation - Detail By Firm

ATTACHMENT A

QUESTIONNAIRE RESPONSES	Andrews Hooper & Pavlik	Doeren Mayhew	Hungerford & Co.	Plante & Moran	Rehmann *	Yeo & Yeo
1. PRIOR AUDIT EXPERIENCE 0 - 20 points :						
a. Prior audit experience (year ending 2011)	3	3	10	107	48	70
b. Single Audit experience	3	3	10	101	44	56
c. Other governmental experience	41	4	6	501		66
Total	47	10	26	709	92	192
TOTAL POINT DISTRIBUTION (Section 1)	1	0	1	20	3	5
2. REFERENCE RESPONSES 0-25 points :						
TOTAL POINT DISTRIBUTION (Section 2)	25	25	25	25	25	25
3. FIRM QUALIFICATIONS 0-25 points :						
a. Active involvement in school finance organizations at county, state and national level (MASB, MSBO, etc)	1	0	3	7		3
b. Involvement in State Department of Education -1022 Committees and/or Single Audit Committees	0	0	0	3		3
c. School district experience of staff assigned to the audit :						
Staff member with highest number of years	17	21	25	36		35
Average number of years school audit staff	8	5	8	11		9
Total	25	26	33	47	0	44
d. Overall firm resources-depth of services :						
Assist districts implement new financial standards (10 pts)	8	7	7	10		10
Peer Review (yes = 1, no = 0)	1	1	1	1		1
Total	9	8	8	11	0	11

LIVONIA PUBLIC SCHOOLS
Audit Proposal Tabulation - Detail By Firm

QUESTIONNAIRE RESPONSES	Andrews Hooper & Pavlik	Doeren Mayhew	Hungerford & Co.	Plante & Moran	Rehmann *	Yeo & Yeo
e. Firms use of technology (3pts max) Total	3	3	3	3		3
f. Reputation for service, etc : School district audit training provided to staff & partners(3pts max)	3	3	3	3		3
g. Professional staff who are specifically trained for school district auditing and accounting : Number of staff in school district audits	10	10	13	150		39
h. Continuing services, newsletters, etc. (5pts max)	Newsletter email Ongoing Communications	Ongoing Communication Management letter Newsletter	Mgt Letter Quarterly Newsletter	Management Letter Presentations School e-news Ongoing Communications Annual BOE seminar	Face to face Newsletter Magazine Email update	Management Letter Newsletter Ongoing Communications
Total	3 54 1 1 56	3 53 1 1 55	2 65 1 1 67	5 229 1 1 231	0	3 109 1 1 111
i. Qualified to perform services under Government Auditing Standards						
j. Knowledge & experience auditing federal programs						
Total points section 3	6	6	7	25	0	12
TOTAL POINT DISTRIBUTION (Section 3)	6	6	7	25	0	12

4. THREE YEAR FEE 0 - 15 points						
2011/2012	43,000	42,900	48,305	39,900	43,000	45,000
2012/2013	44,000	44,200	49,000	41,100	45,000	46,000
2013/2014	45,000	45,500	50,000	42,500	47,000	47,000
Three Year Total	132,000	132,600	147,305	123,500	135,000	138,000
Three Year Average	44,000	44,200	49,102	41,167	45,000	46,000
TOTAL POINT DISTRIBUTION (Section 4)	14	14	13	15	14	13

LIVONIA PUBLIC SCHOOLS
Audit Proposal Tabulation - Detail By Firm

ATTACHMENT A

QUESTIONNAIRE RESPONSES	Andrews Hooper & Pavlik	Doeren Mayhew	Hungerford & Co.	Plante & Moran	Rehmann *	Yeo & Yeo
5. ADDITIONAL RESPONSES 0 - 15 points						
a. Past performance to the district	0	0	0	1	0	1
b. Accessibility by the school district	1	1	1	1		1
c. Ability to work with board and staff	1	1	1	1		1
d. Firm's focus on addressing the district's specific needs	1	1	1	1		1
e. Ability to provide comprehensive school district services (number of consulting & other services provided)	3	3	0	10		3
Total	6	6	3	14	0	7
TOTAL POINT DISTRIBUTION (Section 5)	6	6	3	15	0	8
GRAND TOTAL	52	51	49	100	42	63

POINT DISTRIBUTION METHODOLOGY

A. Highest Rank gets full distribution points for section

B. All other points awarded in terms of their relationship to the highest rank

Highest Rank/ Other Rank x Maximum Points = _____

* Rehmann's tabulation score reflects the fact that they did not submit answers to the audit questionnaire in which some scores were based on.

ATTACHMENT B

Livonia Public Schools 2012 Invitation to Bid Audit Mailing List

1. Abraham & Gaffney PC CPA
745 Barclay Circle
Suite 335
Rochester Hills, Michigan 48307
2. Alan C Young & Associates PC
7310 Woodward Ave
Detroit MI 48202
3. Andrews Hooper Pavlik PLC
691 N Squirrel Road
Suite 280
Auburn Hills MI 48326
4. Baird Cotter & Bishop PC
134 West Harris Street
Cadillac MI 49601
5. BDO Seidman LLP
755 West Big Beaver Road, Suite 1900
Troy MI 48084-0178
6. Clayton & McKervey PC
2000 Town Center, Suite 1800
Southfield MI 48075-1165
7. Crowe Horwath
55 Campau Avenue NW, Suite 300
Grand Rapids MI 49503-2642
8. Deloitte & Touche LLP
200 Renaissance Center, Suite 3900
Detroit MI 48243-1704
9. DeLong & Brower PC
238 Hoover Blvd, Suite 10
Holland MI 49423
10. Darnell & Mayering PC
20500 Eureka Rd, Suite 300
Taylor MI 48180
11. Doeren Mayhew
755 West Big Beaver Road, Suite 2300
Troy MI 48084
12. Ernst & Young LLP
One Kennedy Square, Suite 1000
Detroit MI 48226
13. Godfrey Hammel Danneels & Co PC
21420 Greater Mack Avenue
St. Clair Shores MI 48080
14. Gordon Advisors PC
1301 West Long Lake Road, Suite 200
Troy MI 48098
15. Grant Thornton LLP
27777 Franklin Road, Suite 800
Southfield MI 48034
16. Hanrahan Carey & Co PLC
202 East Third Street
Royal Oak MI 48067
17. Hungerford & Co.
13305 Reeck Road
Southgate MI 48195
18. Jefferson Wells International
1000 Town Center, Suite 1000
Southfield MI 48075
19. KPMG LLP
150 West Jefferson, Suite 1200
Detroit MI 48226
20. Perrin Fordee & Co PC
5750 New King Dr, Suite 200
Troy MI 48098-2611
21. Plante Moran PLLC
27400 Northwestern Highway
Southfield MI 48037
22. Price Waterhouse Coopers LLP
1900 St. Antoine Street
Detroit MI 48226
23. The Rehmann Group
5750 New King Street, Suite 202
Troy MI 48098
24. UHY LLC
27725 Stansbury Blvd, Suite 200
Farmington Hills MI 48334
25. Virchow Krause & Co LLP
One Town Square, Suite 600
Southfield MI 48076
26. Douglas Wohlberg, CPA
560 76th Street SW
Byron Center MI 49315
27. Yeo & Yeo PC CPA
3023 Davenport
Saginaw MI 48605



LIVONIA PUBLIC SCHOOLS

15125 Farmington Road • Livonia, Michigan 48154

Phone (734) 744-2500

March 27, 2012

ATTACHMENT C

Randy Morris
Andrews Hooper & Pavlik PLC
691 N Squirrel Road
Suite 280
Auburn Hills MI 48326

Livonia Public Schools sent out a request for proposal (RFP) for auditing services on Monday, March 26, 2012. We initially said our deadline for the proposal was Friday, April 6, 2012. However, our office will be closed that day due to the holiday weekend. *So we are extending our deadline to Monday, April 9, 2012.* Any proposals received after this date will not be considered.

We are looking for a three-year commitment from a firm to perform our annual audit and related services. The services will be reviewed and the appointment will be made annually. Specifically, we will be asking for the following services:

- Audit of General Purpose Financial Statements.
- Report on Federal Financial Assistance Programs.
- Audit of Act 18 Special Education Final Cost Report submitted to Wayne Count RESA.
- Compliance with all Single Audit Act requirements.
- Management letter.
- Preparation of financial statements (not including Form B).
- General consultation regarding school finance issues.

We will be evaluating firms based on the following criteria:

- School district auditing experience.
- References.
- Qualifications.
- Fee.
- Other (past performance, ability to provide consulting work in a variety of school related areas, etc.)

Attached is an audit proposal evaluation that we will be using to evaluate perspective firms. Also enclosed is a questionnaire that we would like you to fill out as part of your proposal. In addition, please provide the following:

- A governmental client list.
- Fee proposal for three years.
- Resumes of staff that would be assigned to the account.
- Any firm literature that you would deem appropriate.

If you have any questions, please contact the Livonia Public Schools Finance Department at 734-744-2584.

Sincerely,

Lisa Abbey
Director of Business Services

LA/kp

Attachments

**REQUEST FOR PROPOSAL
PROFESSIONAL AUDIT SERVICES**

PURPOSE

This is a Request for Proposal (“RFP”) for an independent certified public accounting firm (the “Respondent”), licensed to practice in the State of Michigan, to provide external independent auditing services for a three year period for the Livonia Public Schools (the “District”), beginning with an audit of the financial statements for the fiscal year ending June 30, 2012. The District reserves the right to extend the minimum three-year contract based on satisfactory performance of audit services, but the term of the engagement shall end:

1. When the audit contract has been violated.
2. When the quality of the audit is unacceptable.

The auditing services shall be in accordance with the Michigan Department of Education requirements, Governmental Auditing Standards, Office of Management and Budget’s (OMB) Circular A-133, and generally accepted auditing standards.

The required performance outcome is the audit of District operations that best meets the District and State requirements at a competitive cost. Respondents shall put forward an audit plan that identifies the methods and means to maximize the attainment of this performance outcome.

The firm shall agree to and must provide full disclosure of all existing client relationships that currently or prospectively may give rise to conflicts of interest and/or disqualification as governed by the code of rules of professional responsibility and conduct promulgated by the American Institute of Certified Public Accountants.

The contact person regarding this RFP is Nick Armelagos who can be reached at 15125 Farmington Rd, Livonia, MI 48154, 734.744.2528. The response due date for this RFP is Monday, April 9, 2012 at 2 p.m. Any proposals received after this date will not be considered.

WITHDRAWAL OF PROPOSALS

Proposals shall remain valid for a period of thirty (60) days after submission. Modifications to proposals will not be accepted by the district, except as may be mutually agreed upon following the acceptance of the proposal.

TIME TABLE

The following projected timetable should be used as a working guide for planning purposes. The District reserves the right to adjust this timetable as required during the course of the RFP process.

1. Release of RFP on or about March 23, 2012.
2. Proposals due at 2:00 p.m. on Monday, April 9, 2012.
3. Sealed Proposals will be opened at 2:00 p.m. on Monday, April 9, 2012.
4. Board of Education action on Monday, May 7, 2012.
5. Notification to all firms as soon as possible after May 7, 2012.
6. Preliminary audit field work for FYE 2012 to be conducted during June 2012 and at a mutually agreeable time for subsequent year audits.
7. Audit field work for FYE 2012 to be conducted during late August or September 2012 and at a mutually agreeable time for subsequent year audits.
8. Reports completed for distribution by the second Monday in October following each fiscal year end.
9. Presentation of reports to the Board of Education during October of each year.

DISTRICT INFORMATION

1. Enrollment

Livonia Public Schools is a K-12 school district located in Livonia and Westland, Michigan. The district provides general and special education services to all school district students within its service area.

The District operates 12 K-4, one 1-6 and three 5-6 elementary schools, three middle schools, three high schools, one career center along with four county wide special education programs. The blended 2011/2012 pupil count is 15,907. Enrollment decreased from last year. All support services are provided in-house.

2. Funding

The foundation grant for the District is \$8,019 per pupil for the 2011/2012 school year. The District has qualified for the best practices incentive money which will be \$100 more per pupil. Additionally, the District received the MPSER cost offset funding. The District receives approximately \$1,800,000 in State At-Risk funds each year. Total federal award expenditures were approximately \$12,000,000 for FYE 2011. It should be noted that this total includes additional one-time ARRA funding and total federal award expenditures in subsequent years are projected to be lower (approximately \$9,000,000 for FYE 13). Our larger federal programs are Child Nutrition- approximately \$1,400,000, Title I – approximately \$1,700,000, and IDEA – approximately \$5,500,000.

3. Funds

Funds to be audited, estimated volume and estimated fund balance are as follows:

Fund	Total Assets 6/30/11	Fund Equity 6/30/11	Revenues 6/30/11	Expenditures 6/30/11
General Funds	\$33,799,011	\$7,078,574	\$149,303,709	\$151,432,121
Cafeteria Fund	\$ 569,927	\$ 518,272	\$ 3,531,641	\$ 3,539,765
Debt Service Fund	\$ 1,228,761	\$1,228,761	\$ 9,432,892	\$ 8,758,380
Capital Projects Fund	\$ 11,234,225	\$9,881,083	\$ 5,312,480	\$ 7,830,740
Student Activities Fund	\$ 1,129,362	\$0	\$0	\$0
Special Education Fund	\$ 3,720,989	\$1,219,282	\$ 19,580,758	\$19,329,458
Health & Welfare Fund	\$ 6,851,737	\$2,837,112	\$ 25,055,829	\$23,178,925
Special Maintenance Fund	\$ 194,807	\$ 194,419	\$ 296	\$ 135,333

The 2010/2011 audit and the 2011/2012 budgets are available on the Livonia Public Schools website at www.livoniapublicschools.org.

4. Other

The District has used a traditional approach of preparing audit work papers in the past. Essentially an analysis is prepared of the balances of all balance sheet accounts. An analysis is also prepared for certain operations accounts, such as property taxes and state aid. These work papers are prepared on a spreadsheet. Some work papers may only be available in hard copy (debt payment schedules, other external documents). Hard copies of the papers are maintained for three years. The District is certainly open for ideas on how to improve the efficiency of the audit process.

The District is not aware of any open audit issues or significant internal control problems.

Most adjusting journal entries have historically been financial statement entries, rather than requiring posting to the District's general ledger. The District's financial and student accounting packages are maintained by Wayne RESA. This system is essentially a COBOL system maintained on a server at the ISD. Wayne RESA also maintains a Windows based program (SMART), which provides a "snapshot" of the general ledger detail, payroll detail, and journal entry detail. A trial balance, journal entry report, and other detail can be downloaded in Excel. All funds are maintained on this system. The fixed assets are maintained through a module in SMART which uploads to the general ledger. Long Term debt adjustments (e.g., principal and interest obligations and compensated absences) are maintained on the SMART System.

The Administrator of Finance, Nick Armelagos, will be the primary preparer of all audit schedules. The finance administrator has been employed by the Livonia School District for over one and one-half years and has several years of audit experience from public accounting.

NATURE OF SERVICES REQUIRED

All proposals must be made on the basis of and either meet or exceed the required audit services contained herein. The selected firm will be required to report for the years ended June 30, 2012, 2013, and 2014 on the general purpose financial statements and for federal programs under the Single Audit Act and OMB Circular A-133.

- < Annual, audited financial report that is in compliance with GAAP as promulgated by GASB, AICPA, and Michigan Departments of Education and Treasury. The auditor is responsible for preparation of the audit report and the Supplementary Information to Financial Statements (Federal Awards). The District will assist the auditor with the preparation of the financial report, including the footnote disclosures and Management's Discussion and Analysis. Audit procedures should be in compliance with generally accepted auditing standards (GAAS) and the AICPA's guide for Audits of State and Local Governments.
- < Report on internal accounting control based solely on a study and evaluation made as part of the audit of the general purpose financial statements and on compliance with laws and regulations that may have a material effect on the financial statements.
- < Report on the supplementary schedule of our federal award programs showing total expenditures for each federal assistance program. The examination under the Single Audit Act will be conducted in accordance with the standards for financial and compliance audits contained in the Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office, the Single Audit Act and the provisions of the Office of Management and Budget's (OMB) Circular A-133, Audits of State and Local Governments, Michigan School Auditing Manual, and any other tests of the accounting records and such other auditing procedures you consider necessary in the circumstances.
- < If applicable, bond audit report and transmittal as required by the Michigan Department of Treasury.
- < Report on internal controls and on compliance used in administering federal award programs, identifying all findings of noncompliance, internal controls and questioned costs as required by OMB Circular A-133.
- < Report to the Board of Education.
- < Meetings with the Director of Business Services and/or Superintendent of Schools prior to release of any report(s).
- < Personal presentation of the final report to the Board of Education by the partner or manager of the firm who worked on site on the annual audit. This is usually two

meetings; a work study meeting and a formal board meeting.

- < All above reports must be completed no later than the October Board of Education meeting, or other date as mandated by the MDE, following the June 30 fiscal year end. Failure to complete audit work prior to the MDE's deadline may result in substantial penalties for the District from the MDE. As a result, the District reserves the right to substantially withhold payments for failure to complete the required reports in a timely manner.

- < During the course of the school year, and for reasonable amount of time, it is assumed that the District's auditor will keep the District informed of changes to accounting procedures, state laws, payroll tax code changes, etc. that would have an impact on ongoing District operations. This may take the form of a firm newsletter or informal discussions with district staff.

- < The auditor will be required to use a comprehensive audit plan and, to the extent permissible, must be willing to review this plan with the District. The plan should cover the study and evaluation of the internal controls and the test of records to the extent necessary by the degree of such reliance. It is assumed that many of the tests will be conducted by a sampling of the records maintained in the files. It is understood that the auditor is responsible for the auditing procedures that in his or her professional judgment must consider the materiality of the audit area, the relation to specific standards and the relation to expressing an opinion on the statements as a whole. District officers should be consulted when such judgments result in a disproportionate amount of effort being expended on a particular subject.

- < The auditor will maintain regular contact with the District administrators and other personnel including but not limited to:
 - Engagement planning meeting
 - Progress reports
 - Closing review meeting
 - Changes that would affect the reporting requirements of the School District
 - Sharing of innovative methods and procedures that may warrant district investigation and/or consideration
 - Newsletters or other method of regular communications containing information with specific benefit to school districts

MANDATORY QUALIFICATIONS OF THE AUDITOR

The following must be affirmed in the proposal response:

1. The Respondent is properly licensed for public practice as a certified public accountant in Michigan.
2. The Respondent meets the independence and continuing professional education requirements of the Government Auditing Standards, 2003 revision published by the U.S. General Accounting Office.
3. The Respondent does not have a record of substandard audit work and has an unqualified Peer Review Report.
4. The Respondent must have a significant and ongoing commitment to serving school districts and involvement in the school district industry.
5. The Respondent must have qualified staff and partners trained specifically in auditing and accounting for school districts.
6. The Respondent must maintain a sufficient number of professional staff in order to provide adequate technical expertise and depth.
7. The Respondent and the partner assigned to the District must have considerable experience in auditing K-12 public school districts within the State of Michigan.
8. The Respondent is expected to be familiar with the types of policies school districts follow.
9. The Respondent will provide a profile of the professional responsible for the overall management of the audit. The Respondent must be fully informed regarding generally accepted accounting principles and auditing procedures relating to school districts including those in the development stages.
10. The Respondent shall identify the audit manager, field supervisors and other staff who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for the audit manager, field supervisor(s) and partner in charge of the engagement should be included with the proposal.
11. Assurance must be given that during the course of the life of the three-year contract there will be some continuity in the assignment of audit staff. It is to the mutual interest of the district and the audit firm that there not be dramatic changes in audit staff every year.
12. The Respondent must be actively involved in school financial organizations on a county and state level.
13. All assistants must be properly trained and supervised and the work adequately planned.
14. The Respondent must have an excellent reputation for service in school district auditing.

15. The Respondent must carry a minimum of \$1 million in professional liability insurance.
16. The Respondent has obtained a Certificate of Awardability from the State of Michigan.

MONITORING

To ensure the quality of the audit, the District may request, from time to time, a report on the progress of the audit. In addition, prior to completion of the fieldwork, an audit exit conference will be held to discuss the results of the audit.

WORKING PAPERS

The working papers shall be retained for at least three years. The working papers will be available for examination by authorized representatives of the applicable federal audit agency, the State of Michigan Department of Education, the General Accounting Office and the School District.

RIGHT TO REJECT

The Livonia Public Schools reserves the right to reject any and all proposals submitted and to request additional information from all respondents. Any contract awarded will be to the independent auditor who, based on evaluation of all responses, applying all criteria and oral interviews, if necessary, is determined to be the best qualified to do the audit.

NUMBER OF COPIES OF AUDITOR'S REPORTS

The auditor shall furnish the School District with 35 copies of all required reports and letters. In addition, the auditor shall furnish the required number of copies for submission to each federal, state, county, and local agency, as applicable. The auditor shall provide the District with a listing of all such required submissions.

CONTRACTUAL ARRANGEMENTS AND REMEDIES FOR VIOLATIONS

The firm shall submit invoices for each payment requested, and invoices shall include a detailed breakdown of all charges. The District will pay all such invoices promptly unless any items thereon are questioned, in which event payment will be withheld pending verification of the amount claimed and the validity of the claim. The total amount to be invoiced shall not exceed the amount of the bid unless other arrangements have been negotiated with the School District first.

Should a federal or state agency or the School District reject the audit as deficient, the School District may withhold payment for services until the audit deficiency is corrected. Should the audit firm fail to correct the audit deficiency; the audit firm will be barred from further engagements with the School District for a period of five years.

The contents of the proposal submitted by the successful respondent and this RFP will become part of any contract awarded as a result of the Nature of Services Required contained herein. The successful firm will be expected to sign a professional services/engagement letter with the District. The RFP, Addendums, Proposal, and Engagement Letter form the entire contract. To the extent that the terms and conditions of the documents differ, the terms and conditions most advantageous to the district will be controlling, unless specifically prohibited by the AICPA rules, regulations, and/or pronouncements.

CONTRACT FEE

The Respondent should indicate the not to exceed fee for completion of all audit related services identified above, including all hourly and any other costs, for each of the three years: 2011/2012, 2012/2013, 2013/2014. The respondent should also provide the firm's not-to-exceed hourly billing rate for additional, e.g., consulting services, that the district may wish to contract for during the course of the audit.

INSTRUCTIONS FOR SUBMITTING PROPOSALS

- < Questions and inquiries, both verbal and written, will be accepted from any and all firms. All questions should be directed to Nick Armelagos, Administrator of Finance, 734.744.2528.
- < All proposals and fee schedules shall be signed in ink by an authorized principal of the firm.
- < All attachments to the RFP requiring execution by the firm are to be returned with the proposal.
- < Each firm shall submit one original and two copies of their proposal and fee proposal to the district. Proposals are to be returned in a sealed envelope. The face of the envelope shall indicate the time and due date of the proposal and the title of the proposal. The original proposal shall be clearly marked 'ORIGINAL' and shall include the fee proposal.
- < Proposals must be received by the district no later than 2 p.m. on Monday, April 9, 2012. Requests for extension of this time and date will not be granted. Proposals or unsolicited amendments to proposals received after the due date will not be considered.
- < Proposals may be mailed or hand delivered to 15125 Farmington Rd, Livonia, MI 48154.

FORMAT OF THE RFP RESPONSE

The format of the proposal is at the preparer's discretion. It is suggested the RFP response should be formatted as follows:

Title Page

The response should identify the RFP subject, the name of the independent auditor, local address, telephone number, name and title of contact person and date of submission. The period that the proposal is effective (non-rescindable) should also be disclosed.

Table of Contents

The table of contents of the proposal should include a clear and complete identification of the materials submitted by section and page number.

Letter of Transmittal

The letter of transmittal should contain the following information:

1. A brief understanding of the audit service to be performed.
2. A positive commitment to perform the service within the time period specified.
3. The names of persons authorized to represent the Respondent, their title, address and telephone number. This may be important if different from the individual who signs the transmittal letter.

Fee Schedule

The fee schedule at the end of this document should be attached to the proposal.

PROFILE OF THE INDEPENDENT AUDITOR

The Respondents are requested to provide a profile of general background information.

This should include:

1. The organization and size of the Respondent, whether it is local, regional, national or international in operations.
2. The location of the office from which the work is to be done and the number of professional staff by staff level employed at that office.
3. A description of the range of activities performed by the local office such as auditing, accounting, tax services or management services as well as involvement in the school district industry.
4. A description of the methods the firm will use to keep the District informed of changes to accounting procedures, state laws, payroll tax code changes, etc. that would have an impact on ongoing district operations.
5. A statement of the Respondent's staff capability to audit federal programs, including the number and classification of personnel skilled in federal program auditing who

will work on the audit.

6. A positive statement that the following mandatory criteria are satisfied:
 - A. An affirmation that the Respondent is properly licensed for practice as a certified public accountant.
 - B. An affirmation that the Respondent meets the independence requirements of the Governmental Auditing Standards, 2003 revision published by the U.S. General Accounting Office.
 - C. An affirmation that the Respondent does not have a record of substandard audit work. Please disclose the controls your firm has in place to ensure quality standards have been met. Also disclose whether your firm is subject to an external quality control review process. If the firm's most recent external quality control review was qualified, please disclose the reasons for the qualification.
 - D. An affirmation that the Respondent has a Certificate of Awardability from the State of Michigan that is currently in effect.
 - E. An affirmation from the Respondent that they will follow the American Institute of Certified Public Accountants' Interpretation 501-3, Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits. Basically, if a member (of AICPA) accepts such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules and regulations, in addition to generally accepted auditing standards, the auditor is obligated to follow such requirements. Otherwise, the auditor must disclose in the audit report the fact that such requirements were not followed and the reasons.
 - F. An affirmation from the Respondent as to the extent of involvement serving school districts and serving on school financial organizations on a county and state level.
 - G. An affirmation that the Respondent provides well trained, qualified staff and partners and how this is accomplished.
 - H. An affirmation that the Respondent carries a minimum of \$1 million in professional liability insurance.
 - I. An assurance that during the course of the life of the three-year contract there will be some continuity in the assignment of audit staff.

SUMMARY OF THE PROPOSER'S QUALIFICATIONS

1. Identify the audit managers and field supervisors and other staff who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for auditor in-charge up to the individual with final responsibility for the engagement should be included. (The resumes may be included as an appendix).

2. Describe the recent local and regional office auditing experience similar to the type of audit requested and give the names and telephone numbers of client officials responsible.
3. If other auditors are to participate in the audit, those auditors are required to provide similar information.

PROPOSER'S APPROACH TO THE EXAMINATION

Submit a work plan to accomplish the scope of the audit. The work plan should include time estimates for each significant segment of the work, the staff level to be assigned, and use of technology. Where possible, individual staff members should be named and their titles provided. The planned use of specialists should be specified.

The audit work plan should completely cover what audit work will be accomplished to allow the auditor to render an opinion on the financial statements, and if required:

1. A report on the study and evaluation and report on internal control system.
2. Reporting on the organization's control system to assure compliance and whether the organization has complied with laws and regulations that may have an effect on each major federal assistance program.
3. Assistance provided in implementing new standards or requirements.

The audit work plan should, if required, demonstrate the auditor's understanding of the audit requirements of a single audit as specified in OMB Circular A-133 and the audit tests and procedures to be applied in completing the audit plan.

The audit work plan should, if required, demonstrate the auditor's understanding of the "bond" audit requirements specified in the Department of Treasury's audit guide and the tests and procedures applied in completing the audit plan.

TIME REQUIREMENTS

If not already adequately covered in the letter of transmittal, the response should detail information on how the audit firm plans to meet the time line and reporting deadline requirements of the engagement.

ADDITIONAL DATA

Provide any additional data the respondent feels may be helpful in the selection process.

METHOD OF EVALUATING PROPOSALS

Proposals will be evaluated with a strict emphasis on quality. The federal government has the authority to review the audit report and audit workpapers to ascertain the quality of the audit. In response to a deficient audit, the applicable agent or its designees of the federal government can disallow the cost of the audit as an allowable cost of the federal grants. Furthermore, the citizens are expecting quality stewardship of all available resources. As such, the primary emphasis of procuring an audit will be the quality of technical factors of the audit firm. Attributes that will be analyzed include:

1. Number and name of school districts audited by CPA firm proposing.
2. Firm's school district personnel resources available, including seniority with firm and years of Michigan school audit experience.
3. Involvement in school related organizations.
4. Description of firm's professional development program, specific to governmental and federal grant auditing.
5. Quality of staff included in assignment.
6. Responses from professional references.
7. A list of the firm's open litigation, describing the nature and amount of each lawsuit for which the firm is named as a defendant, and a list of any litigation involving the firm in the past 10 years involving audit failure and violations of professional standards.
8. Internal quality control procedures and external quality control reviews.
9. Ability to communicate audit results in an effective manner.
10. Ability to provide additional school specific services to the District.
11. Ability to respond to the District's current and future professional service needs.
12. Firm's audit work plan.
13. Certificate of Awardability from the State of Michigan.

After the technical qualities have been evaluated, cost and other considerations will be evaluated. The proposing firm shall indicate the cost of the audit and the range per hour for additional services. Other considerations include:

1. Demonstrated evidence of equal employment opportunities.
2. Results of oral interviews with proposing audit firms if requested.

Once all factors have been evaluated, the audit firm that is most qualified and reasonable in cost will be selected.

FEE SCHEDULE

(This page must be attached to the proposal)

The fee for the annual audit of Livonia Public Schools shall be as follows:

Fiscal year ended June 30, 2012 _____
Fiscal year ended June 30, 2013 _____
Fiscal year ended June 30, 2014 _____

Signed by Respondent:

By: _____
Signature
Name: _____
Title: _____
Date: _____

AUDIT QUESTIONNAIRE

Qualifications

- 1. Location of office that would perform our audit: _____
- 2. Number of school district audits your firm conducted in each of the last two years (attach a list of school districts and contact people).

Last Year: _____ Prior Year: _____

- 3. Number of school district single audits your firm has conducted in each of the last two years:

Last Year: _____ Prior Year: _____

- 4. Number of other governmental (fund accounting) audits your firm has conducted in each of the last two years (attach a list of names and contact people).

Last Year: _____ Prior Year: _____

- 5. Provide a list of your firm's involvement in school district type organizations; i.e., legislative and Department of Education committees, Michigan School Business Officials, Association of School Business Officials, MACPA Committees etc.

- 6. Provide a list of school districts your firm has audited which have obtained the ASBO Certificate of Excellence. List any participation by your firm in ASBO's Certificate of Excellence Program.

AUDIT QUESTIONNAIRE

7. List specific school district audit training supplied to your staff and partners.

8. Number of total audit staff (do not include tax, consulting services or clerical).

Number of audit staff: _____

Number of audit staff with CPA certification: _____

9. Number of staff as defined in the question above that were directly involved in a significant portion of the audit of a school district in the last two years.

Number of staff: _____

10. Of the staff who have been assigned to school audits, what is the average number of years with your firm and in public accounting? (List in order of highest seniority of school district audits.)

	<u>In Public Accounting</u>	<u>With Your Firm</u>
Staff member with highest number of years:	_____	_____
Next staff member with highest number of years:	_____	_____
Average number of years school audit staff:	_____	_____

11. The annual turnover rate for audit staff in your firm for the year 2008.

Turnover rate: _____

Number of hours, by employee classification, estimated for the audit and hourly rates:

	<u>Number of Hours</u>	<u>Hourly Rate</u>
Partner in Charge	_____	_____
Review Partner	_____	_____
Audit Manager	_____	_____
Audit Staff	_____	_____
Clerical	_____	_____
	<u>Total</u>	\$ _____

12. Has your firm gone through the peer review process? _____ Has it received an unqualified opinion? _____
13. Does the firm meet the independence requirements specified by Government Auditing Standards? _____
14. Will the staff assigned meet the continuing professional education requirements specified by Government Auditing Standards? _____

Other Information

Provide a self-synopsis of other management consulting services available with the number of staff specifically assigned to each. List examples of studies you have done for various school districts.

Provide an indication of the continuing services you provide your clients such as management Recommendation letters, newsletters, trade and tax briefs, etc.

Describe your Firm's use of technology in conducting the annual audit

Describe how your firm will help the district implement new financial standards or requirements

AUDIT PROPOSAL EVALUATION

1. Prior Auditing Experience (0-20 Points)
 - (15) A.1 Number of Michigan School District (K-12) clients audited for the fiscal year ended June 30, _____.
 - A.2 School district single audit experience
 - (5) B. Other Governmental entities
2. Reference Responses (0-25 Points)
 - A. Are they happy with the firm?
 - B. Do they meet deadlines?
 - C. Is their staff knowledgeable in school district auditing?
 - D. Is their staff knowledgeable in the school district environment?
 - E. What is quality of service?
 - F. Did the firm provide "added value" to the district?
 - G. Do they have low staff turnover?
 - H. Is the audit partner involved?
 - I. Responsiveness to phone calls and other service requests?
 - J. Ability to provide service beyond the basic audit (e.g., consulting assistance in areas such as budgeting, tax compliance, fact finding assignments, information technology and organizational studies).
3. Qualifications (0-25 Points)
 - A. Active involvement in school finance organizations on county and state levels (e.g., MSBO, MASA, MASB)
 - B. Involvement in State Department of Education 1022 Committee and/or Single Audit Committee.
 - C. School district experience of staff assigned to the audit.

- D. Overall firm resources - depth of services and number of professional staff with school district experience.
- E. Firm's use of technology.
- F. Reputation for service and expertise. A history of recognized service in school district auditing within the accounting profession is desired.
- G. Professional staff that are specifically trained for school district auditing and accounting.
- H. Proven ability to currently inform appropriate school district personnel of new developments in school related legislation, tax law changes, etc. (via periodic newsletters and/or seminars).
- I. Qualified to perform services under Government Auditing Standards.
- J. Knowledge and experience auditing federal programs.

4. Proposed Fee (0-15 Points)

- A. Lowest fee gets full 15 points
- B. All other points are awarded in terms of their relationship to the low fee

$$\frac{\text{Low Fee}}{\text{Other Fee}} \times 15 = \underline{\hspace{2cm}}$$

5. Other (0-15 Points)

- A. Past performance to the district
- B. Accessibility by the school district
- C. Ability to work with district board and staff
- D. Firm's focus on addressing the district's specific needs
- D. Ability to provide comprehensive school district services

MAXIMUM POINTS: 100