

EDUCATION SERVICE CENTER REGION 19
RFQ AWARD SUMMARY

RFQ TITLE: Financial Audit Services – ESC Region 19
RFQ NUMBER: 13-6926
RFQ OPENING DATE: March 19, 2013
CONTRACT TERM: Date of award until December 31, 2015 with the option to extend an additional 24 months
(Extended until December 31, 2017 by Region 19 Board of Directors)
FUNDING SOURCE: Various
RFQ's ISSUED: 12
RESPONSES: 4
ADVERTISEMENT DATES: El Paso Times February 28, 2013 & March 7, 2013
BOARD MEETING DATE: May 27, 2013

RECOMMENDED FOR AWARD Gibson, Ruddock, Patterson, LLC

TOTAL (estimated)	<hr/>
	\$60,000/ year 1
	\$61,500/ year 2
	\$63,000/ year 3
	\$65,000/ year 4

EXPLANATIONS:

Award of this contract will enable ESC Region 19 to obtain financial audit services. The vendor recommended for award has met or exceeded 95% in the evaluation process. The vendor recommended for award complied with all conditions of the proposal and applicable federal, state, and local technical, and performance standards and specifications.

SPECIFICATIONS PROVIDED BY: Royce Cleveland
ESC Region 19

EVALUATION COMMITTEE: Sonia Eubank
ESC Region 19

Henry Vallejo
ESC Region 19

ORDER INFORMATION:

Gibson Ruddock Patterson, LLC
Attn: E. Craig Gibson
600 Sunland Park Suite 6-300
El Paso, TX 79912
915-356-3700 / 915-356-3779
Fax: 915-833-4700
www.grp-cpa.com / craig@grp-cpa.com

Region 19 Education Service Center is requesting qualifications from public accounting firms to perform the annual audit for fiscal year ending 2013.

I. BACKGROUND INFORMATION

Auditing requirements for Texas public school districts/ ESC's are contained in the Texas Education Agency Financial Accountability System Resource Guide, which is the authoritative document adopted by reference as a rule of the State Board of Education, through Title 19, Texas Administrative Code, Section 109.61.

Region 19 Education Service Center has no regular student membership except for approximately 3,900 preschoolers and 300 infants and pregnant women at 34 federally funded Head Start sites. The 2012-13 operating budget is approximately \$6 million and approximately \$37 million in federal and state funding. The district receives federal financial assistance for several programs including Head Start, ESEA Title I Part A, ESEA Title I Part C, IDEA Part B Discretionary and Preschool.

Purpose of the Audit

The purpose of the Request for Qualification is to obtain the services of a public accounting firm for the annual audit for fiscal year 2012-13 along with an annual audit thereafter for an aggregate period not to exceed 60 months in the aggregate. The organization-wide audit will encompass the general purpose financial statements, combining statements and other schedules for Region 19 Education Service Center for the fiscal year ending August 31, 2013. The audit is to be performed in accordance with generally accepted government auditing standards and requirements contained in the Texas Education Agency Financial Accountability System Resource Guide.

The financial statement audit is to determine whether (1) the financial statements present fairly the financial position, results of operations, and cash flows or changes in financial positions in accordance with generally accepted accounting principles, and (2) whether Region 19 Education Service Center has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements. The financial-related audit will also include determining whether (1) financial reports and related items are fairly presented, (2) financial information is presented in accordance with established or stated criteria, and (3) the ESC has adhered to specific financial compliance requirements.

As a part of the audit of the general purpose financial statements, the annual audit will also include obtaining an understanding of the ESC's internal control and reporting any reportable conditions relating to the internal control systems coming to the attention of the auditors. To comply with Office of Management and Budget Circular A-133, a study and evaluation of the internal control structure will include internal accounting and administrative controls for all major federal financial assistance programs, in accordance with standards for risk assessment for major federal financial assistance. Any material weakness noted during the study and evaluation of internal accounting and administrative controls and other kinds of noncompliance and questioned costs will be reported in accordance with the Single Audit Act.

Additionally, the audit will include the performance of certain audit procedures for the purpose of reviewing the accuracy of fiscal information provided by the district through the Public Education Information Management System (PEIMS), as required by Section 44.008(b) of the Texas Education Code.

B. Independent Auditor

The proposer must demonstrate the capability to perform the annual audit in accordance with generally accepted government auditing standards and State Board of Education auditing rules. Public accounting firms that have performed annual audits for similar entities are encouraged to file a qualification.

C. Term of the Audit Engagement

The contract for audit services based upon Board approval of the qualification will be for the fiscal years ending August 31, 2015. Region 19 Education Service Center may request to extend this agreement for another two years through fiscal year August 31, 2017, following satisfactory delivery of the services specified in the qualification and engagement letter.

D. Dispute Resolution

Disputes concerning the terms of contracted services that cannot be resolved will be brought before an independent mediation center, whose decision will be binding upon both parties.

II. QUALIFICATION CONTENT

A. Cover Letter

See conditions for submission of qualification in Section III.

B. Technical Component

To describe clearly the public accounting firm's understanding of the work to be done, the proposer will:

1. Provide a definition of the term "generally accepted government auditing standards" with clear distinctions between these standards and generally accepted auditing standards for nongovernmental engagements;
2. Explain the proposer's approaches to performing an annual audit, including the methodology, nature, timing, and extent of audit procedures to be performed;
3. Describe how the approach to performing the audit would be affected if this was a multi-year contract; and
4. Make a statement concerning the independence of the proposer, including direct and indirect financial interest and the relationship of the proposed audit team to employees of the ESC and any of the board members.

C. Management Component

The proposer will furnish satisfactory evidence of capability to provide in a professional and timely manner the services stated in the Request for Qualification. To meet this requirement, the proposer must:

1. Provide the name of the external quality control review organization of which the proposer is a member and the proposer's length of membership. Also, state the review organization's planned frequency of peer reviews;
2. State whether the firm has received a peer review and whether in the most recent review an unqualified report was issued;
3. State whether the proposer is a national, regional or local public accounting firm;
4. Provide evidence that the proposer has experience in performing school district/regional education service center/government audits. List current and past audit clients along with the names and telephone numbers of contact persons and number of years audit services were provided. State the average daily attendance of the public schools on the list;
5. State whether the proposer is currently under the terms of a public or private reprimand by the Texas State Board of Public Accountancy and/or licensing boards of other states;
6. Describe the proposed audit team in terms of job positions in the firm;

7. List names of staff member(s) who will direct the overall audit throughout the duration of the engagement as well as those staff members who will be responsible for planning, directing, and conducting substantial portions of the field work or reporting on this audit engagement. Include the educational background of all staff members named and professional licenses held;
8. Describe continuing professional education in governmental accounting and auditing received by the proposed audit team during the last two years;
9. Provide the names and qualifications of any needed outside specialists and consultants that will assist the proposer's staff members;
10. Describe staff rotation plans for audit team members if this is to be a multi-year contract;
11. Describe the level of assistance that will be expected from Region 19 Education Service Center personnel; and
12. Provide evidence of the ability to comply with the requirements in Sections II and VI of the Request for Qualifications.

D. Task/Activity Plan

The proposer will specify budgeted hours, timelines and sequence for audit procedures, and names of staff to be assigned.

E. Estimated Fees

Below, state the estimated fees for the annual audit for the fiscal year ending August 31, 2013. Also state estimated fees for the subsequent three years, under current existing conditions, if Region 19 Education Service Center were to request an extension of the contract.

2013 Fiscal Year	<u>\$60,000</u>
2014 Fiscal Year	<u>\$61,500</u>
2015 Fiscal Year	<u>\$63,000</u>
2016 Fiscal Year	<u>\$65,000</u>
2017 Fiscal Year	<u>\$67,000</u>

Region 19 Education Service Center will pay audit fees as agreed upon in the engagement letter.

F. Evaluation

Criteria used to evaluate the proposer's methodologies, products, and services are shown in Attachment A.

III. CONDITIONS FOR SUBMISSION OF QUALIFICATION

All qualifications in response to this request must meet the following conditions to be considered:

- A. Qualification must include a cover letter clearly stating the name of the firm and the name, address, and telephone number of the proposer's representative;
- B. Qualification must address each of the audit requirements as stated in this Request for Qualification;
- C. Region 19 Education Service Center reserves the right to reject any and all qualifications and to negotiate portions thereof. Qualifications that address only part of the requirements contained in this Request for Qualification will not be considered;
- D. Region 19 Education Service Center reserves the right to select any qualification, considering the quoted estimated fee and other factors;
- E. The proposer shall furnish such additional information that the ESC may reasonably require;

- F. Region 19 Education Service Center will not be liable for any cost incurred in the preparation of qualifications; and
- G. Region 19 Education Service Center may ask proposers to send a representative for an oral interview prior to Board of Directors approval of a qualification. Region 19 Education Service Center will not be liable for the costs incurred by the proposer in connection with such interview.

IV. PROCEDURES FOR SUBMITTING QUALIFICATIONS

A. Delivery

Qualifications must be received no later than 10:00 AM on March 19, 2013. The envelope containing your qualification shall be plainly marked in the lower left corner -

RFQ #13-6926: FINANCIAL AUDIT SERVICES
TO BE OPENED: March 19, 2013 at 10:00 AM

Responses to the request for qualification should be addressed to:

Purchasing Manager
Region 19 Education Service Center
6611 Boeing Drive
El Paso, Texas 79925
(915) 780-5019

B. Number of Copies of Qualification

Submit three (3) copies of the qualification. The qualifications are to be bound and sealed.

V. ASSISTANCE TO PROPOSERS

Any person wishing to obtain additional information about the request for qualification or about the operations of Region 19 Education Service Center may contact the individual mentioned above in Section IV or Sonia Eubank, Associate Executive Director for Support Services, (915) 780-6571. If warranted an addendum will be posted on the ESC-Region 19 Website advising all potential vendors of the additional information.

VI. STATEMENT OF REQUIREMENTS

- A. The independent auditor will provide fifteen (15) copies of the written audit report that meets the requirements of the Texas Education Agency Financial Accountability System Resource Guide.
- B. On or before November 26, 2013, the preliminary draft of the audit report will be presented to the ESC prior to submission of the final draft.
- C. Satisfactory delivery of the services specified by the request for qualification and the engagement letter shall be accomplished no later than the December 4, 2013, for distribution to the Board of Directors.
- D. The independent auditor will be required to present the audit report to the Board of Directors at the December 2013 board meeting.
- E. The independent auditor is strongly encouraged to provide a management letter containing comments oriented towards constructive improvements. Copies of selected audit working papers will be provided as requested by Region 19 Education Service Center and as provided for in the engagement letter. A draft of the management letter must be presented on or before November 26, 2013, along with the preliminary draft of the audit. The final copy should be available for the December 2013, Board of Directors meeting.

VII. BOARD OF TRUSTEE APPROVAL

A qualification will be selected on or before July 9, 2013, barring decision by the Board of Directors to reject all qualifications submitted.

EVALUATION WORKSHEET

This worksheet will be used to document the district's evaluation of the proposers' qualifications. Points within the ranges specified are to be assigned to the below-listed criteria as a means for quantifying the relative strengths and weaknesses of the various qualifications. It should be understood that while the total score is a significant factor, the requester of the services reserves the right to consider other factors in making a final selection.

PROFESSIONAL QUALIFICATIONS

The evaluation of professional qualifications of the proposers will be based on the following criteria:

I. Mandatory Criteria

Qualifications will not be considered for further evaluation unless there is compliance with all of the following criteria. The proposer:

- A. Must be an independent auditor properly licensed for public practice.
- B. Must meet the independence standards of Government Auditing Standards, 2011 Revision, United States General Accounting Office (GAO).
- C. Must not have a record of substandard work.
- D. Must submit a qualification meeting all of the requirements of the Request for Qualification.

II. Technical Criteria

Qualifications which have met each of the criteria in Section I above will be evaluated on the following criteria:

- A. Technical experience of the firm:
 1. Auditing experience in Texas public schools/service centers (20%)
 2. Auditing experience in government entities (5%)
- B. Characteristics of the staff, including consultants to be assigned to the audit:
 1. Size and structure of the firm, including audit staff positions (5%)
 2. Past performance, familiarity, and relationship with audit firm if applicable (15%)
 3. General direction and supervision to be exercised over the audit team by the firm's management personnel (15%)
- C. Clear understanding of the work to be performed:
 1. Comprehensiveness of the audit work plan (5%)
 2. Realistic time estimates of each major segment of the work plan, and the estimated number of hours for each staff level including consultants assigned (10%)

III. Cost Criteria

Cost of the audit (25%)

References- Provide 3 Financial Audit Clients of comparable size to ESC-Region 19 in the public sector that can be contacted including contact person, title, agency name, address, city, state, phone number, and email address in space provided below:

All references on file

General Information about Education Service Center- Region 19

Region 19 Education Service Center is one of 20 Education Service Centers in the state of Texas that were established by the Texas Legislature in 1967 to help school districts identify their needs and to provide services to meet these needs. Region 19 ESC serves 12 school districts in the El Paso and Hudspeth counties with a region-wide population of about 155,000 students and more than 10,000 educators. The services offered are requested by school districts, the Texas Education Agency, or mandated by the Texas Legislature and/or the State Board of Education. The annual budget is funded from local school districts as well as state and federal revenues

General Accounting Information

The accounting policies of Region 19 ESC are in accordance with rules prescribed by the Texas State Board of Education in the Texas Education Agency Financial Accountability System Resource Guide. The accounting policies conform to generally accepted accounting principles as applicable to state and local governmental units. The Center adopted the provisions of GASB Statement No. 34 as of September 1, 2001, resulting in a change in the format and content of the basic financial statements. The Center utilizes the following fund types:

Governmental Fund Types-

The Center maintains a General Fund with expenditures for FY 2012 in two sub-funds totaling about \$6.3 million and a Special Revenue Fund with expenditures for FY 2012 in 36 sub-funds totaling approximately \$37.9 million. (The Head Start Program accounted for over \$28 million of that total.)

Fiduciary Fund Types-

The Center maintains Agency Funds which include the Successor-in-Interest to the El Paso County Education District, the Head Start Scholarship Fund, the Far West Texas School Association Fund, and Tech Prep.

Proprietary Fund Types-

The Service Center maintains an Enterprise Fund to account for Print Shop/School Zone transactions, and Internal Service Funds to account for Facilities, Common Services, and Insurance, which covers the Health Insurance, Workers' Compensation, and Unemployment Compensation.

Depository/Investment Information

The Center maintains the following checking accounts at Wells Fargo Bank:

- Operating

- Payroll-ZBA keyed to Operating

- Workers' Compensation Trust

- Workers' Compensation Imprest-ZBA keyed to Worker's Comp Trust

- Unemployment

- Health Insurance Coop Trust

- Health Insurance Coop Imprest-ZBA keyed to Health Insurance Coop Trust

Amounts in excess of a peg amount in the Operating account are swept nightly into an overnight sweep account to maximize interest earnings. The Center also maintains accounts at the Lone Star Investment Pool, TexPool, and MBIA Texas CLASS.

Business Office Structure

Overall management of the Business Office is handled by the Associate Executive Director for Support Services (a CPA) with day-to-day management handled by a Business Office Accounting Supervisor. The staff consists of a Payroll Accountant and Clerk, three Accounts Payable clerks, and two accounting clerks who handle receivables, deposits, reconciliations, posting, etc.

Data Processing Facility

The Center owns in a cooperative agreement with San Elizario ISD various computer equipment and software which is used for processing various financial and student accounting applications.

Other Information

The ESC employs approximately 950, about 800 of whom are Head Start staff. Head Start maintains a Human Resources Department to handle all Head Start personnel functions except sexual harassment, EEOC, and grievance matters, which are handled centrally by the Human Resources/Risk Manager who, along with the Hiring and Benefits Specialist, also handles fringe benefits management for the entire organization as well as personnel matters for all non-Head Start employees.

Due to the relatively small size of the Center's budget, an internal auditor is not required. Good internal controls have been instituted in many areas while other areas are being reviewed with the objective to further strengthen controls. ESC- Region 19 maintains current quality management systems and is ISO 9001:2008 registered.

Agreed, Signed and Acknowledged by: Awarded Vendor

Approved by: _____
(Kathy Becker- Chairman- ESC-Region 19)
(Kathy Becker- Chairman- ESC-Region 19)

Date: _____
(May 16, 2013)
(December 17, 2015)