

**AUDIT SERVICES CONTRACT: 050B9800006
DEPARTMENT OF BUDGET & MANAGEMENT**

Question and Answer Set No. 1, Dated 1/12/2010

1. Will a DC or VA CPA license be acceptable to participate in the procurement for services?
Answer: This requirement has been changed. The Offeror must hold a current license or current permit to practice Certified Public Accountancy in accordance with Title 2 of the Annotated Code of Maryland, Business Occupations and Professions Article. Please see Addendum No. 1, items No. 3, 4, 5, 6, and 9. Also see Addendum No. 1, item No. 7 for change to Labor Categories.

2. Will a DC or VA CPA license be acceptable for the Contractor representative?
Answer: The RFP does not require that the Contractor Representative hold a CPA license. See RFP Section 3.8.6--Contractor Representative. If proposed to work on a task order, the individual would have to meet the requirements for the specific labor category under which she/he will be billed.

3. Do we have to address all items in Section 3.3, Task Order Process? If no, are there specific items that should be addressed?
Answer: The State needs confirmation that each Offeror understands the requirements of each Section of the RFP, so please respond to each Section of the RFP as directed in the Section 4.0-Proposal Format.

4. Can you elaborate on Section 4.2.4.? Is the proposal to be referenced 4.2 and address the various items in that section or does this related to Section 3?
Answer: Section 4.2.4.a says, "The RFP sections are numbered for ease of reference. The Offeror's Technical Proposal should be organized and numbered in the same order and correspond with the referenced sections in the RFP." That means that the Offeror should provide information in the order that Section 4-Proposal Format requires; however, each reference for the subheadings of Section 4 will be to the actual appropriately numbered section in the RFP. An example is Section 4.4-Insurance Certificate. Information that the Offeror provides will also reference the appropriate Statement of Work Section 3.11-Insurance Requirements.

5. Regarding Page numbering; will the cover page be considered page 1?
Answer: If the Offeror chooses to start numbering at the Cover Page, or at the beginning of actual text, either is fine. What is important is the consecutive numbering so the State can account for all pages of the Offeror's Technical and Financial proposals during review.

6. We are aware of a few Small Business Reserve firms which meet all minimum qualification requirements indicated in the RFP. However, with the way in which many Small Business Reserve firms are structured, these qualified Small Business Reserves may find it difficult to fill all Labor Categories listed in your RFP document. Therefore, we recommend that the Department of Budget and Management (DBM) permit qualified Small Business Reserve firms to submit resumes of key personnel in response to the DBM's RFP for only those labor categories which they typically fill on state contracts....Partner, Manager, Audit Supervisors, Senior Auditor, Staff Audit, Audit Assistant....Will this recommendation be taken into consideration?.....

Answer: Offerors are required to submit pricing for all nine labor categories. Master Contractors may utilize their own staff as well as subcontractors and MBE subcontractors to provide labor resources. See Addendum No. 1, items No. 6 and 7.

7. Does this mean that there was a previous master contract for these services? If so, where can I find information about the incumbent contract?

Answer: The previous Master Contract ended May 31, 2009. There is no incumbent contract. See also Question Nos. 11 and 25.

8. Approximately what date will the award decision be made to determine the Master Contractors for this RFP.

Answer: The State's current goal is to go to the Board of Public Works approximately the middle of May 2010; however, this is dependent on the entire procurement process being completed.

9. Section 2.1 - Peer review – My firm has not had a peer review performed in the last three years. However, we are scheduled to have a peer review performed in 2010 for the December 20, 2010 CPA license renewal. Does this meet the minimum qualification requirement? Can we receive a waiver of the peer review requirement for the master proposal and provide copy of the peer review report once completed after award of the contract?

Answer: The information provided does not meet the mandatory minimum requirement. See RFP Section 2.1.B.

10. Section 3.11- Worker's Compensation Insurance - During the prebid conference it was mentioned that an insurance certificate needs to be provided with the proposal and within five working days after notice of potential award. We currently do not have Worker's Compensation insurance. Do we need to provide the insurance certificate for Worker's Compensation insurance with the proposal?

Answer: The RFP requires an Offeror to maintain such insurance as necessary or required under Worker's Compensation Acts and any other applicable laws, and to provide with its proposal an insurance certificate based on the coverage requirements in this RFP's Section 3.11 (Insurance Requirements). See RFP Sections 3.11 and 4.4.

11. Of the 16 TOA's awarded under the previous contract, what was the geographical region covered, and were any located on the Eastern Shore?

Answer: The 16 Task Order Agreements are listed below (some were multiple use). DBM does not have specific data on the geographical regions covered by each, but the geographical locations varied. Some of the audits, such as the 9-1-1 Audit had the potential to include work out-of-State. There is no way to know how, when, where, or why the new contract will be utilized by the State's agencies; and therefore, there is no way to make an apples-to-apples comparison.

- **State Retirement Agency--Internal Audits**
- **State Retirement Agency--Compliance Reviews for Participating Governmental Units**
- **State Retirement Agency—Small Procurement and CPCS**
- **Central Collection Unit's Assessment of Internal Controls**
- **Department of Juvenile Services—Examine Records of 10 per diem vendors fro FY 2004**
- **MDTA Electronic Toll Collection Program**
- **MD Health Care Commission—To Review MD Trauma Physicians Services Fund**
- **State Retirement Agency—Reviews of Participating -38- Government Units**
- **Department of Health and Mental Hygiene-RICA—Checking Account Reconciliation**
- **Department of Health and Mental Hygiene—Annual Audits and Quarterly Reviews (two separate times)**
- **Department of Budget and Management—Claims Eligibility Audits (re: insurance)**
- **Department of Budget and Management—Accounting Records Reconciliation**
- **Department of Public Safety and Corrections—Remittance of 9-1-1 Trust Fund Fees**

12. Can you clarify the professional liability minimum coverage of \$5,000,000. I thought at the meeting it was stated that the coverage needed to be in place within 5 days of notice of potential award. Does that mean award of an actual TOA, or just to be approved as a Master Contractor? In other words, do we need to have \$5mil in coverage in place to be a qualified bidder for a Master Contract? We're currently at \$2,000,000 coverage and have been told by our insurance carrier to increase it to \$5 mil will be around \$17,000 annually. That's with our unmodified peer review with no letter of comments. I don't necessarily won't to spend \$17,000 more just be a Master Contractor with no actual audit contract award. Obviously, if a contract was awarded, we would get the required coverage. If the goal is to seek more CPA firms as qualified bidders, you may want to consider lowering the minimum coverage amount if possible. I think a number of the firms present today may have a similar concern.

Answer: The professional liability minimum coverage requirement of \$5,000,000 has been reduced to \$500,000 and is a Master Contract requirement. Please see Addendum No. 1, Item No. 8, and RFP Sections 3.11 and 4.4.

13. Paraphrasing the following, the questions are:

- a. Will the State allow an exception/waiver of small businesses from the insurance requirements.

Answer: Each Offeror must meet all of the requirements of the RFP. See response to Question 12 and Addendum No. 1, Item No. 8.

- b. Can Section 3.11-Insurance Requirements be deleted from the RFP.

Answer: The Insurance Requirements are a necessary part of the State's business and this RFP's terms and conditions, and will not be deleted from this RFP. See response to question 12 and Addendum No. 1, Item No. 8.

14. The State has requested documentation from the Offeror that a successful financial track record and adequate working capital by providing at least three of the four types of documentation listed below that will demonstrate capability and capacity:

- a. Copies of the last two (2) consecutive year-end audited financial statements or best available equivalent report and an analysis of those financial statements/reports;
- b. Abbreviated profit and loss statements and abbreviated balance sheets for the last two consecutive years;
- c. A least one (1) bank or other financial institution credit (line(s) of credit) and financial reference;
- d. Dunn and Bradstreet rating.

Most Small Business Reserve firms only have two of these documents. Is it possible to substitute the offeror's tax return?

Answer: Please see the change to RFP Section 4.3-Financial Capability/Capacity and Statements in Addendum No. 1, Item No. 11, in answer to this question.

15. The State requires professional Liability -with a minimum limit of \$5,000,000 on an occurrence and aggregate basis as applicable for liability claims under each TORFP issued under this RFP.

The AICPA sets the liability insurance for firms. Small Business Reserve firm does not a \$5,000,000 policy. Can this requirement be waived for Small Businesses? Under a similar Small Business Reserve RFP (U00S0263903) insurance requirement was eliminated.

Answer: Please see the response to Questions 12 and 13(a).

16. Will you please consider reducing the amount of professional liability insurance that a subcontractor must have? As a potential Master Contractor, we have \$5 million in professional liability insurance; however, smaller firms often cannot obtain the higher

limits of professional liability insurance because their prior work experience does not warrant it. Insurance companies are very reluctant to provide higher limits of coverage to smaller firms, and smaller firms find it too expensive. The State of Maryland will significantly reduce the number of potential MBE subcontractors if the professional liability insurance coverage must be \$5 million.

Answer: Please see the response to Question 12.

17. We anticipate proposing on Task Orders primarily has a Master Contractor (if selected); however, If we become a Master Contractor are we precluded from:

a. Being a subcontractor to another Master Contractor on a Task Order?

Answer: A Master Contractor may be a subcontractor to another Master Contractor on a Task Order.

b. From joint venturing with another Master Contractor on a Task Order?

Answer: Master Contractors may not submit joint venture proposals to TORFPs under this Master Contract. Each Master Contractor must choose to propose, or decline to propose (in writing) to a TORFP. Each TOA award is strictly between one Master Contractor and the State.

18. Page 21: **Unmodified Peer Review Report** – The Maryland Board of CPAs requires individuals/firms performing financial statement audits to undergo peer review every 3 years effective when they first issued their first audit opinion. We have been in business for over 3 years but it has not been 3 years since we first issued our first opinion. We will be subject to peer review in June of 2010. We request that we are granted an exception to this requirement if we meet the other minimum requirements. We will submit our peer review when it is completed in June/July 2010.

Answer: See response to Question 9.

19. Page 38: Insurance Requirement – We meet all the insurance requirements with the exception of the professional liability coverage of \$5,000,000. We feel this coverage is high for an SBR firm taking into consideration the average task order historical is about \$181,000 (see page 22, 16 TOA totaling \$2.9 million).

Answer: Please see the response to Question 12.

20. Will DBM consider proposals submitted via emails acceptable?

Answer: No, proposals for the Master Contract must be submitted as per RFP Section 4 which does not permit Master Contract proposal submission by email. See also RFP Section 1.37.E.

21. Page 46: **Financial Capability/Capacity and statements** – Will DBM accept any of two of the four requirements listed plus copies of our tax returns for the last 2 or 3 years?

Answer: Please see response to Question 14.

22. Section 3.10 – Labor Categories and Qualifications - Can we propose the same person at two or more different labor categories (e.g. at the partner and manager levels) since as a small business we sometimes can use the same personnel to fill numerous positions at different levels?

Answer: The RFP does not need require the Offeror to identify persons for Labor Categories at the Master Contract level. See response to Question 6, RFP Section 4.0-Proposal Format, and Attachment C-Financial Proposal Instructions and Financial Proposal Affidavit.

For future task order RFPs after Master Contract award, one person can perform at different levels but may only be assigned and billed for expended time under one labor classification for each task order proposal. See RFP Section 3.8.3.

23. 2.1 C. Are "agreed upon procedures", "operational audits", "compliance audits", other attestation work be acceptable as audit experience as long as the contracting entity has more than 25 employees?

Answer: Yes.

24. Can a non-MBE Master Contractor subcontract with a MBE Master Contractor for purposes of submitting a proposal for task orders?

Answer: See response to Question 17.

25. Please describe the audits requested under the last Master Contract and the Master Contractor that provided the services.

Answer: Please see response to Question 11. The previous Master Contract had seven Master Contractors and listed alphabetically they were:

- Bert Smith & Company
- Clifton Gunderson
- Lindsey & Associates LLC
- Mitchell & Titus
- Smart LLC
- Stout, Causey & Horning, P.A.
- Thompson, Cobb, Bazilio & Associates, PC

26. [Can our firm] submit a certificate for our existing policy coverage documentation and have that be suitable for purposes of our RFP?

Answer: Please adhere to the submission requirements noted in the RFP Section 4.0-Proposal Format--and for this area, Section 4.4-Certificate of Insurance. Please also see Addendum No. 1, item 8.

27. Under requirement 4.2.4.4 Offerors Experience and Capabilities, Section B, in the solicitation document, the request states, "...Provide the names, titles, and resumes of the key management personnel who would perform the services rendered under this Contract." However, during the conference, potential bidders were told that the

only resume required for the master contract award would be that of the Contractor's Representative. Please clarify.

Answer: In this instance of Section 4.2.4.4, the 'Key management personnel' refers to the Offeror's organization and not the Labor Categories. For Section 4.2.4.4., the State wants to see the resume and information on the organization's key people as noted in their Organization Chart that will directly affect the management of this Contract, as well as the resume for the Offeror's proposed Contractor's Representative. Information requested in Section 4.2.4.5.— Contractor's Representative is specific to the Contractor Representative. Please see also Addendum No. 1, item No. 10.