THE

RHODE ISLAND TURNPIKE
AND BRIDGE AUTHORITY

REQUEST FOR PROPOSALS

AUDIT SERVICES

CONTRACT #17-4

March 21, 2017

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Rhode Island Turnpike and Bridge Authority
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RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY

REQUEST FOR PROPOSALS

AUDIT SERVICES
CONTRACT # 17-4

The Rhode Island Turnpike and Bridge Authority (the Authority) is seeking the services of qualified firms to provide financial audit services for the years ending June 30, 2017, June 30, 2018 and June 30, 2019 in accordance with the terms, conditions, and specifications contained in this Request for Proposal (RFP).

Sealed bids will be accepted until 12:00 p.m., Friday, April 21, 2017 at the office of the Authority, One East Shore Road, Jamestown, Rhode Island. Three (3) copies of the proposal must be submitted in a sealed envelope marked "Audit Proposal – Contract17-4," and may be mailed to the Authority or hand carried and delivered to the Authority prior to the bid opening. Bids will be opened publicly and read at the Authority's office on Friday, April 21, 2017 at 12:00 p.m.

The proposals will be evaluated using a weighted scale. The evaluation committee will review all submissions. The committee will evaluate the proposals and will select no more than three firms or individuals to present to the Executive Director for his decision. The Executive Director may request additional information from any proposer and an interview process may follow. The Executive Director will negotiate the fee with the vendor selected or accept the proposed fee if it is in the best interest of the Authority. If an agreement cannot be reached, the Executive Director will negotiate with the next choice until a satisfactory agreement is reached. The resulting agreement will be for a period of three years.

No bid may be withdrawn for a period of ninety (90) days subsequent to the opening thereof without permission of the Executive Director.

The authority reserves the right to reject any or all bids, waive any informality in the bidding, or accept the bid deemed to be in the best interest of the Authority.

SPECIFICATIONS

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY

REQUEST FOR PROPOSALS - AUDIT SERVICES

GENERAL TERMS AND CONDITIONS

1. RECEIPT AND OPENING OF PROPOSALS:

   Proposals will be accepted and time stamped upon receipt in the office of the Executive Director, and will be held securely until the time indicated on the attached Advertisement for Bids, for the services listed in the specifications and will then be publicly opened and read.

2. FORM OF BID:

   Bidders shall submit three (3) copies of their bid on the form provided, with supplemental information, and other required documentation, literature and material to be provided with the bid, on the bidders own form.

3. TERM OF BID:

   The term of this contract is three (3) years.

4. SUBMISSION OF BIDS:

   a. Envelopes containing bids must be sealed and addressed to the Office of the Executive Director, PO Box 437, Jamestown, RI 02835 and must be marked with the name and address of the bidder, date and hour of opening, and name of item in the bid call.

   b. The Executive Director will decide when the specified time has arrived to open bids, and no bid received thereafter will be considered.

   c. Any bidder may withdraw his bid by written request at any time prior to the advertised time for opening. Telephone bids, amendments, or withdrawals will not be accepted.

   d. Unless otherwise specified, no bid may be withdrawn for a period of ninety (90) days from time of bid opening.

   e. Negligence on the part of the bidder in preparing the bid confers no rights for the withdrawal of the bid after it has been opened.

   f. Proposals received prior to the time of opening will be securely kept, unopened. No responsibility will be attached to an officer or person for the premature opening of a proposal not properly addressed and identified.

g. Any deviation from the specifications must be noted in writing and attached as part of the bid proposal. The bidder shall indicate the item or part with the deviation and indicate how the bid will deviate from specifications.

5. RHODE ISLAND SALES TAX:

The authority is exempt from the payment of the Rhode Island Sales Tax under the 1956 General Laws of the State of Rhode Island, 44-18-30, Paragraph I, as amended...

6. FEDERAL EXCISE TAXES:

The authority is exempt from the payment of any excise tax or federal transportation taxes. The price bid must be exclusive of taxes and will be so construed.

7. QUALIFICATION OF BIDDERS:

The Authority may make such investigations as it deems necessary to determine the ability of the bidder to perform the work. The bidder shall furnish the Authority with all such information and data for the purpose as may be requested.

8. EVALUATION CRITERIA:

The Rhode Island Turnpike and Bridge Authority evaluation committee will use the following weighted scale when evaluating the proposals from Audit Services bidders.

Overall Qualifications	40 points
Overall Audit approach/strategy	30 points
Proposed Fee	30 points
	100 Total points

9. ADDENDA AND INTERPRETATIONS:

No interpretation on the meaning of the plans, specifications or other contract document will be made to any bidder orally. Every request for such interpretations should be emailed to the Controller, James Cooke, Jr., jcooke@ritba.org , and to be given consideration, must be received at least seven (7) days prior to the date fixed for the opening of the bids.

10. AWARD OF BIDS:

The Authority reserves the right to award in whole or in part.

11. HOLD HARMLESS:

The contractor shall be responsible for his work and every part thereof, and for all materials, tools, appliances, and property of every description used in connection therewith. The contractor agrees to indemnify and hold harmless the Rhode Island Turnpike and Bridge

Authority, its employees and agents, against loss or expense by reason of the liability imposed by law upon the contractor, all sub-contractors, or owner for damage because of bodily injuries, including person or persons or on account of damage to property arising out of or in consequence of the performance of this work whether such injuries to persons or damage to property are due or claimed to be due to any negligence, including gross negligence, of a sub-contractor, the owner, the general contractor, his or their employees or agents, or any other person.

12. INSURANCE

The contractor shall carry and maintain the following insurance coverage at his own expense:

a. All insurance for this Contract shall be written by a company (or companies) acceptable to the Authority and all policies shall be submitted to the Authority for examination prior to commencement of operations by the contractor.

b. Contractor's Liability Insurance
Liability Insurance shall include all major divisions of coverage and be on a comprehensive general liability basis including:
Premises – Operations
Independent Contractor's Protective
Products and completed operations
Owned, non-owned and hired motor vehicles
Broad form coverage for property damage (including explosion, collapse and underground)

c. The insurance required by this Subparagraph (b) shall be written for not less than the following, or greater if required by Law.

1. Worker's Compensation
   a. State of Rhode Island – Statutory
   b. Employer's Liability

2. Comprehensive General Liability (including premises operations; independent contractor protective; products & completed Operations; Broad Form Property Damage):
   a. Bodily Injury:
      $1,000,000 – Each Occurrence
      $1,000,000 Annual Aggregate

   b. Property Damage
      $1,000,000 – Each Occurrence
      $1,000,000 Annual Aggregate

   Property Damage Liability Insurance will provide X, C or U coverage as

applicable.

3. Contractor's Liability

   a. Bodily Injury:
      $1,000,000 – Each Occurrence

   b. Property Damage
      $1,000,000 – Each Occurrence
      $1,000,000 Annual Aggregate

4. Personal Injury, with Employment Exclusion deleted:
   $1,000,000 Annual Aggregate

5. Comprehensive Automobile Liability:
   a. Bodily Injury:
      $500,000 Each Person
      $1,000,000 – Each Occurrence
   b. Property Damage:
      $1,000,000 – Each Occurrence

6. Liability Insurance-not less than 1,000,000

OVERVIEW:

The Rhode Island Turnpike and Bridge Authority (the Authority) is seeking the services of qualified firms to provide financial statement audit services for the fiscal years ending June 30, 2017, June 30, 2018 and June 30, 2019 in accordance with the terms, conditions, and specifications contained in this Request for Proposal (RFP).

General Background:

The Rhode Island Turnpike and Bridge Authority (the Authority) is a quasi-public agency created by the Rhode Island General Assembly in 1954 as a corporate and body politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. The Authority was responsible for the construction of the Claiborne Pell Bridge (formerly the Newport Bridge) which

opened to traffic on June 28, 1969. The Authority has been responsible for the operation and maintenance of the Mount Hope Bridge between Bristol, Rhode Island and Portsmouth, Rhode Island and the Claiborne Pell Bridge between Newport, Rhode Island and Jamestown, Rhode Island since 1964 and 1969, respectively. On April 25, 2013, the State transferred custody, control and supervision of the land and improvements for the Jamestown and the Sakonnet River Bridges from the Rhode Island Department of Transportation (RIDOT) to the Authority. Ownership and title of the bridges remains with the State.

Day to day operations of the Authority are led by an Executive Director who oversees 47 full time and 53 casual employees and reports to a five member Board of Directors comprised of the Director of Transportation, who is a member ex-officio, and four members appointed by the Governor.

The Authority is a component unit of the State of Rhode Island for financial reporting purposes and as such, the financial statements of the Authority will be included in the State of Rhode Island's Annual Financial Report.

Bidders can view the Authority's fiscal 2016 audited statements at our website, http:/www.ritba.org. The Audit is listed on the Financial Reports webpage under the "Business" tab.

New tolling legislation has been enacted by the State of Rhode Island, which provides for the collection of tolls by the Authority. How the collection of such fees and remittance to the State will affect the Authority's financial reporting is presently unknown. The Authority's financial reporting and related audit scope could be affected in future years (e.g. fiscal years 2018 and beyond); however, the impact, if any, has not been reflected in this request for proposals.

Due Dates for Completion of Audit and Delivery of Reports

1. The audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements must be delivered to the agency, Department of Administration – Office of Accounts and Control, and the Office of the Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws).

   Failure to comply with the statutory submission date may result in termination of a firm's audit engagement.

   Compliance with due dates for submission of the final audit report requires anticipation of and allowance for (1) sufficient review time by the Office of Accounts and Control and the Office of the Auditor General of draft audit reports and other audit communications; and (2) sufficient review time and acceptance by the audit committee, board of directors, or individuals constituting those charged with governance for the entity.

Draft reports shall be provided to the Office of Accounts and Control and the Office of the Auditor General not less than 7 days prior to the required final audit completion and submission date. Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm's internal quality control review process prior to submission.

Submission of audit reports and communications in electronic form is preferred.

2. If applicable, the additional audit reports relating to federal awards and required by the federal Single Audit Act and OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements) (if required) shall be submitted no later than **November 30** of each year.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid license in the State of Rhode Island or from another state having equal professional standards.

2. <u>The senior accountant in charge of the fieldwork shall be a certified public accountant</u>.

3. The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.

4. The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards.*

5. The audit organization shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the quasi-public entity, the Auditor General and the Director of Administration.

6. The audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than $1 million.

Audit Contract

1. It is recommended that audit firms not be engaged for a period of more than six consecutive years, however, audit firms can submit proposals and will be considered beyond this period

provided those firms specifically include within their proposal, the specific safeguards to ensure auditor independence on the engagement due to the length of auditor involvement (i.e. rotation of audit management or other quality control measures). The engagement of auditors for more than six consecutive years can also be made when deemed appropriate and/or necessary and when approved jointly by the Auditor General and Director of Administration.

2. Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee for the financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses.

   The contract shall also specify an hourly rate for all audit work and reporting requirements related to major federal programs due to the variable scope of work in applying the risk-based approach outlined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements. Once the scope of testing required for major programs is determined, the auditor and agency will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs.

Audit Standards

1. The audit specifications shall require that the audit be conducted in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants.

2. The audit specifications shall also require that the audit be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

3. If a single audit is required then the standards contained in the amended (July 1996) Single Audit Act of 1984 and the provisions of OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, must also be followed.

Audit Scope

1. The scope of the audit shall include:

   Basic financial statements:

   - Statement of net position

- Statement of revenues, expenses and changes in net position
- Statement of cash flows
- Notes to financial statements

Required supplementary information:

- Management's Discussion and Analysis

Supplementary Information:

- Schedule of traffic count and revenues
- Schedule of travel and entertainment expenses - a detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of $200 or greater shall be itemized and a total shown for all expenditures less than $200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.
- State of Rhode Island required format schedules:
  - Attachment B Schedule of Net Position
  - Attachment C Schedule of Activities
  - Attachment D Long-Term Debt
  - Attachment E Schedule of Changes in Long-Term Debt
- Schedule of expenditures of federal awards - the following defines federal awards for these purposes

<u>Single Audit Act (July 1996) - Section 7501 - Definitions:</u>

Federal awards" means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

Federal financial assistance" means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance, but does not include amounts received as reimbursement for services

rendered to individuals in accordance with guidance issued by the Director (Director of the (federal) Office of Management and Budget).

2. **Major Federal Programs - this section is only applicable if the Authority has expenditures of federal awards (as defined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements):**

The auditors shall audit major programs as required by OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and express an opinion on compliance for each major program.

Major programs shall be determined in accordance with guidance provided in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

The Authority's expenditures of federal awards will be combined with all other expenditures of federal awards for the State reporting entity for the purpose of determining the Type A program threshold. The following procedures should be followed when the entity is a component unit of the State reporting entity and will be included in the State's Single Audit Report.

Identify Type "A" Programs

Type "A" programs will be determined using the State reporting entity's total expenditures of federal awards. Accordingly, an estimate of total federal awards expended by the State of Rhode Island for the fiscal year will be provided by the Office of the Auditor General to the agency under audit and its auditors.

Risk Assessment

In accordance with criteria outlined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, perform a risk assessment of Type "A" programs identified above to determine if they can be considered low-risk. Consider all Type "A" programs not qualifying for a low-risk assessment to be major programs and perform required audit procedures as outlined in the OMB Circular.

The auditor should seek approval from the Auditor General's Office before declaring any Type "A" program to be low risk.

No risk assessment shall be performed for programs which are less than the Type "A" dollar threshold unless specifically requested by the Office of the Auditor General.

Audit Reports

1. **Draft copies of all audit report(s) and other audit communications** shall be submitted to:

   (1) those charged with governance for the entity (executive director, audit committee, board of directors or equivalent, members of the audit committee of the agency, and

   (2) Office of the Auditor General and the Department of Administration - Office of Accounts and Control prior to completion and issuance and in advance of the required due date (September 30) to allow sufficient time for review and comment. **Draft reports shall be provided to the Office of Accounts and Control and the Office of the Auditor General not less than 7 days prior to the required final audit completion and submission date.** Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm's internal quality control review process prior to submission.

   Final audit reports (inclusive of all audit communications) related to the financial statements must be delivered to the agency, Department of Administration – Office of Accounts and Control, and the Office of the Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws).

   Compliance with due dates for submission of the final audit report requires anticipation of and allowance for (1) sufficient review time by the Office of Accounts and Control and Office of the Auditor General of draft audit reports and other audit communications; and (2) sufficient review time and acceptance by the audit committee, board of directors, or individuals constituting those charged with governance for the entity.

   Failure to comply with the statutory submission date may result in termination of a firm's audit engagement.

2. Reports to be submitted shall include:

   a. Reports on:

      (1) basic financial statements, (as specified in the Audit Scope section) based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards.*

      (2) supplementary financial statements, schedules and information (including the State required format supplementary schedules to be submitted to the Office of Accounts and Control for component units).

(3) internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards.*

b. Reports and summaries related to federal financial assistance (as appropriate in the circumstances) as required by OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

Note: Auditors should not prepare the Federal Data Collection Form referenced in Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements when the audited entity is a component unit of the State for financial reporting purposes. This form will be prepared by the Office of the Auditor General for the State reporting entity. When the quasi-public entity is not a component unit of the State for financial reporting purposes, a reporting package, including the federal Data Collection Form should be submitted to the federal single audit clearinghouse for the quasi-public entity.

Management Letter

1. A management letter shall be submitted upon completion of the audit to the executive director, audit committee, and board of directors, with copies to the Department of Administration – Office of Accounts and Control and the Office of the Auditor General.

2. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:

   a. policies, procedures and practices employed by the agency.

   b. immaterial weaknesses in the internal controls that are not "significant deficiencies."

   c. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.

   d. compliance with state laws pertaining to the agency and with rules and regulations established by the agency.

SPECIFICATIONS

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY

REQUEST FOR PROPOSALS - AUDIT SERVICES

SPECIFIC INFORMATION TO BE REQUIRED OF THE PROPOSER

Offeror's technical qualifications and other information - the proposer shall, at a minimum, describe, and/ or provide the following:

a. Experience with governmental audit engagements and entities similar to the entity,

b. Firm organization and leadership team and professional staff resources,

c. Engagement staff qualifications and experience,

d. Understanding of work to be performed, including planned audit procedures, process to gain an understanding of internal control sufficient to plan the audit, estimated hours and other pertinent information, and

e. Understanding regarding data to be provided and completed by entity that is needed for the audit.

f. Project management approach and procedures the proposing firm will employ to ensure compliance with final audit completion delivery dates.

g. Identification of any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.

h. Audit client references that may be contacted regarding professional services provided previously.

i. Proof of professional liability insurance coverage in effect in an amount not less than $1 million.

j. A listing or description of other professional services provided by the proposer to the State of Rhode Island (primary government) or any other component unit (see Appendix 5 for identification of State component units).

SPECIFICATIONS

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY

REQUEST FOR PROPOSALS - AUDIT SERVICES

Representations – the following representations shall be provided as part of the proposal**:**

a. a written representation that the auditor is independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards.*

b. a written representation that the auditor of a quasi-public entity meets the continuing educational requirements of *Government Auditing Standards.*

c. a written representation that the auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The firm will provide the entity requesting auditing services and the Auditor General with a copy of the firm's most recent external quality control review report and any subsequent reports received during the term of the contract, if awarded.

d. a written representation that the auditor is familiar with generally accepted accounting principles for state and local government units as prescribed by the Governmental Accounting Standards Board and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and will conduct the audit and will report in accordance with those standards.

e. A written representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.

f. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the auditor has filed, or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.

g. A certification that no Rhode Island "Major State decision-maker", or spouse or dependent child of such person as defined in RIGL § 42-6-1 holds either a ten percent or greater equity interest or a five thousand dollar or greater cash interest in the business.

Coordination between the Auditor of the Agency and the Office of the Auditor General and Department of Administration – Office of Accounts and Control

- The auditor shall invite the attendance of the Auditor General at entrance, exit and other conferences between the private auditor and the agency.

- The auditor shall submit ALL "draft" copies of the audit report(s) and other audit communications not less than 7 days prior to the scheduled delivery date for the final audit report. Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm's internal quality control review process prior to submission.

- The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor becomes aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.

- The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.

- Audit workpapers of the auditors shall be made available upon request of the Director of Administration and/or the Auditor General for their review, at the completion of the agency audit.

The Office of Rhode Island Auditor General, in serving as the Group Auditor for the audit of the State of Rhode Island's (State's) financial statements will provide the communication in **Appendix 3** of these Audit Bid Specifications to each component auditor annually in conjunction with their component audit. This communication will include certain required representations that each component auditor must provide to the Auditor General as their documented understanding of their requirements as component auditors within the group audit of the State's financial statements. This communication also provides certain information regarding the State's financial reporting entity and established planning materiality levels for the various opinion units represented within the audit of the State's financial statements. Component auditors will also be required to submit letters of understanding (engagement letters), materiality levels, management representation letters (with corresponding schedules of unbooked adjustments), and communications with those charged with governance as required by generally accepted auditing standards in accordance with their component audits.

The private auditor selected for the agency audit shall cooperate with the Auditor General, as Group Auditor, in his coordination of the Single Audit of the State. **This will include communications between the Auditor General and the private auditor regarding the determination of major federal financial assistance programs using the risk-based approach prescribed by OMB**

Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements

(Sample Representations/Assurances Required When Quasi-Public Entity is a Component Unit of the State for Financial Reporting Purposes)

Re: Audit of (Component Unit Name)

Section AU-C 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, contains requirements relevant to our audit of the State's financial statements for the period ending June 30, 20XX. In conjunction with your audit of a component unit of the State of Rhode Island, the Office of the Auditor General, as the Group Auditor of the State's financial statements, is responsible for communicating the following information:

- The State's reporting entity includes all agencies and departments of State of Rhode Island listed in the diagram shown in *Attachment* to this communication.

- The State's reporting entity also includes the component units listed in Attachment B to this communication. Attachment B also details the opinion units and related financial statements that include those entities.

- The component unit's audited financial statements will be incorporated into the financial statements of the State, as the reporting entity. We will rely upon the financial statements and make reference to the reports of the other auditors in our opinions on the opinion units contained within the State's financial statements. The Office of the Auditor General will be relying solely on the component auditor's opinion and will not accept any responsibility for the work performed by the component auditors.

- We will also rely upon and make reference to the reports of the other auditors in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards and include any significant deficiencies and material weaknesses in internal control and material noncompliance reported by the component auditor.

- The State's Office of Accounts and Control has provided instructions regarding the State's financial reporting framework and related matters to all component units, which requires all component units to report their financial information in a State-specified format as supplementary information. Component auditors should include either a reference to this supplementary information in their opinion on the component unit's financial statements or by issuing a separate report with the supplementary information. Component auditors are responsible for ensuring that this supplementary information is fairly stated, in all material respects, in relation to the component unit's basic financial statements as a whole.

- Component auditor engagement personnel must be independent under the requirements of the American Institute of Certified Public Accountants including those in the AICPA Code of Professional Conduct and Government Auditing Standards.

- Component auditor engagement personnel must meet the continuing educational requirements of Government Auditing Standards.

- Component auditor firms must have an appropriate internal quality control system in place and has participated in an external quality control review program as required by Government Auditing Standards. The firm will provide the Office of the Auditor General, as the group auditor, with a copy of the most recent external quality control review report.

- As communicated by the Office of Accounts and Control, component unit financial statements must conform to generally accepted accounting principles for state and local government units.

- Component Unit audits must be performed in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

- In addition, component auditors whose components receive federal funding must ensure that their audits comply with the requirements of the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements. We will communicate an estimate of the major program expenditure threshold for the State of Rhode Island in conjunction with the Single Audit.

- All component auditors should consult with the Auditor General on any significant audit or accounting issues encountered during their audit.

- All component auditors have a responsibility to perform reasonable procedures to identify, assess, and respond to the risks of material misstatements arising from the component entity's failure to account for and disclose related party relationships, transactions, or balances. This responsibility includes transactions between the component and the State's reporting entity (including State agencies, departments, funds, and component units defined in Attachments).

- The Office of the Auditor General has provided materiality guidance in Attachment C regarding the performance of component audit work being relied on in conjunction with the audit of the State's reporting entity. Component auditors should consult with the Auditor General in regards to any questions regarding the materiality levels established for component unit audits. Materiality levels established by component auditors should be materially consistent with those detailed in Attachment.

- Component auditors should discuss any instances where, in their professional judgment, there is concern that an uncorrected misstatement in a component's financial statements could be significant to the State's reporting entity.

- All component auditors must submit Letters of Understanding and Management Representation Letters (with attached Schedules of Unbooked Adjustments, if applicable) obtained in conjunction with component audits to the Office of the Auditor General. Such information is required for the Auditor General to document his responsibilities as the group auditor.

- All component auditors must submit all required communications to those charged with governance in conjunction with component audits to the Office of the Auditor General.

- All components must notify Auditor General and the Director of Administration if they become aware of fraud, abuse, or illegal acts or indications of such acts affecting the component entity or the State.

- Component unit draft financial statements and audit reports will be provided to The Office of the Auditor General and the Office of Accounts and Control for review prior to issuance.

- Component auditor reports must conform to the illustrative examples included in the AICPA Audit Guides - State and Local Governments and Government Auditing Standards and Single Audits.

This letter documents our required communications as group auditor of the State's financial statements.

Your assistance to us in meeting our group auditor requirements is greatly appreciated. If, at any time, you have questions, concerns, or issues relating to your role as a component auditor, feel free to contact me at 222-2435 or at dennis.hoyle@oag.ri.gov.

Sincerely,

Dennis E. Hoyle, CPA
Auditor General

Our firm acknowledges receipt of this communication and agrees to comply with the requirements stated herein in our component audit for fiscal 20XX:

_____ _____ _____

Component Auditor Representative Title Date

SPECIFICATIONS

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY

REQUEST FOR PROPOSALS - AUDIT SERVICES

We the undersigned propose to furnish to the Rhode Island Turnpike and Bridge Authority, "AUDIT SERVICES", per attached specifications dated _____, 2017 for the prices stated below.

Proposed Fee as follows:

Year 1 (fiscal year ending June 30, 2017)

Price in words:_____

Price in Figures:_____

Year 2 (fiscal year ending June 30, 2018)

Price in words:_____

Price in Figures:_____

Year 3 (fiscal year ending June 30, 2019)

Price in words:_____

Price in Figures:_____

Total for three years (3)

Price in words:_____

Price in Figures:_____

By:_____ _____

Authorized signature **Company name**

_____ _____

Print name and title **Address**

_____ _____

Telephone **Date** **City** **State** **Zip Code**

The IRS Form W-9 attached must be completed and submitted with the proposal if the bidder falls under IRS requirements to file this form.

Please submit proposals in triplicate and attach this Proposal Fee form to your full proposal.