

**Arkansas Health Insurance Marketplace (AHIM)  
REQUEST FOR PROPOSALS FOR  
Arkansas Health Insurance  
Exchange Financial Audit  
Vendor**

**RFP Issued: Tuesday, November 10, 2015**

**Proposals Due By: Wednesday, December 9, 2015**

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# **Section 1: Background Information**

## **1.1 Background of the Arkansas Health Insurance Marketplace**

The Arkansas Health Insurance Marketplace (“AHIM”) was established pursuant to ACT 1500 (HB1508). This enabling legislation enacted AHIM as a private, nonprofit state-based health insurance marketplace if AHIM is approved by the U.S. Department of Health and Human Services no later than July 1st, 2015. It is “an act to enact the Arkansas Health Insurance Marketplace Act; to promote competition amongst health insurance carriers; to decrease the cost of health insurance; to declare an emergency; and for other purposes.” On July 15, 2015, Arkansas was conditionally approved to establish a SBM with AHIM leading this effort. AHIM is responsible for complying with the mandates required within the ACA, including implementing a State-based Marketplace (SBM) to facilitate access to affordable health insurance coverage for all citizens of the State of Arkansas.

## **1.2. Purpose of the RFP**

The purpose of this RFP is to solicit proposals to audit AHIM and its administration of Federal Exchange Establishment grant awards for the fiscal years ending June 30, 2015<sup>1</sup>, from independent certified public accounting firms, hereinafter referred to as firm(s), qualified to do business in the state of Arkansas. Audits of State based Exchanges are mandated by the Affordable Care Act and the United States Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Nonprofit Organizations.”

### **1.2.1 Records to Be Audited**

The firm shall perform financial and compliance audits of the books and records of AHIM. These books and records include, but are not limited to, the following:

1. Receipts
2. Disbursements
3. General Ledger
4. Revenues and Expenses, Detail Report by Cost Center

AHIM reserves the right to withdraw this RFP at any time and for any reason. Receipt of proposal materials by AHIM or submission of a proposal to AHIM confers no rights upon a firm nor obligates AHIM in any manner.

# **Section 2: Administrative Information**

## **2.1 Procurement Administrator**

The information about the Procurement Administrator is described below. This person will serve as the single point of contact for communication regarding the RFP.

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<sup>1</sup> Year 1 will consist of auditing July 1, 2014, through June 30, 2015; subsequent years will follow the regular fiscal year.

Amanda Spicer  
Director of Finance  
Arkansas Health Insurance Marketplace  
221 W. 2<sup>nd</sup> Street, Ste. 700  
Little Rock, AR 72201  
501-313-4197  
[Solicitations@armarketplace.com](mailto:Solicitations@armarketplace.com)

Offerors may submit questions to the Procurement Administrator at the email listed above.

## 2.2 Key Dates

RFP Activity	Key Date
RFP Released	November 11, 2015
Questions Due	November 20, 2015
Answer's Posted	November 25, 2015
Proposal Due	December 9, 2015
Estimated Award Date	December 18, 2015
Estimated Contract Execution Date	December 23, 2015

## 2.3 Contract Period and Terms and Conditions

AHIM intends to sign a one year contract with the option of two, one-year extensions. The contract will incorporate provisions from the Exchange's Sample Terms and Conditions, insofar as applicable. The resulting contract will be substantially similar to the language found in Appendix A of this RFP.

## 2.5 Questions

Offeror's may submit questions to the Procurement Administrator through the email noted in Section 2.1. AHIM may provide written responses to those questions, but are not obligated to do so.

## 2.6 Amendment and Withdrawal of this RFP

AHIM reserves the right to amend or withdraw the RFP at any time and for any reason. Amendments and or notices of withdrawal will be sent to the list of interested Offerors.

## 2.7 Amendment and Withdrawal of Proposals

Offerors may amend or withdraw their Proposals at any time before the RFP submission date. The amendment must be in writing, signed by Offeror, and received by the time set for the receipt of Proposals. Offerors must notify the Procurement Administrator in writing prior to the deadline for Proposals if they wish to completely withdraw their Proposals.

## **2.8 Submission of Proposals**

The Procurement Administrator must receive all components of the Proposal by the deadline. It is the Offeror's responsibility to ensure that the Proposal is received prior to the deadline. Postmarking by the due date will not substitute for actual receipt of the Proposal. Ensuring the timely delivery of the Proposal is solely the responsibility of the Offeror.

### **2.21 Award Notice and Acceptance Period**

A "Notice of Intent to Award" will be sent to the successful Offeror. Negotiation and execution of the Contract shall be completed no later than 14 days from the date of the Notice of Intent to Award or such other time as designated by AHIM. If the successful Offeror fails to negotiate and deliver an executed Contract by that date, AHIM, in its sole discretion, may cancel the award and award the Contract to another Offeror which AHIM believes meets this RFP's requirements and will provide the best value to AHIM. A "Notice of Intent to Award" will be sent to the unsuccessful Offerors once a contract is executed or at such other time as designated by AHIM.

## **Section 3: Scope of Services**

### **3.1 Objectives of the Audit**

The objectives of the audit are to determine whether (a) AHIM's financial statements are fairly presented in all material respects in accordance with the required basis of accounting, (b) the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole, (c) AHIM has internal controls over material compliance requirements of each major federal program, and (d) AHIM has complied with material compliance requirements of each major federal program.

### **3.2 General Nature of Audit Services**

The selected firm shall audit the following:

- All federal, state, and local funds received and expended by AHIM.
- The books, accounts, and papers of AHIM.

### **3.3 Specific Services to Be Performed**

The selected firm shall perform an OMB Circular A-133 audit to determine whether the financial statements of AHIM present fairly the financial position and results of operations in accordance with the appropriate basis of accounting and in compliance with federal and state laws and regulations.

### **3.4 Audit Standards to Be Followed**

The audits shall be conducted in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards: 2007 Revision; the provisions of the

U.S. Office of Management and Budget (OMB) Circulars A-87, A-133 2007 revision, and the Circular A-133 Compliance Supplement (current revision).

### **3.5 Specific Reports to Be Issued**

The selected firm shall provide the following reports to the AHIM Financial Management and Sustainability Committee of the Board of Directors (“Finance Committee”), for each fiscal year:

1. Auditor’s opinion on the financial statements and on the schedule of expenditures of federal awards.
2. Statement of assets, liabilities, and fund balance.
3. Statement of changes in fund balance.
4. Comparative schedule of budgeted to actual revenues and expenditures by Cost Center.
5. Audit adjustments. If there are no audit adjustments, a statement to this effect must be included in the audit report.
6. Schedule of expenditures of federal awards, as required by OMB Circular A-133.
7. Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
8. Single audit report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
9. Schedule of findings and questioned costs, in accordance with OMB Circular A-133, including the status of uncorrected findings from prior audits.
10. A summary of the auditor’s results, in accordance with OMB Circular A-133
11. Management’s corrective action plan.
12. Management letter. Any internal control and compliance deficiencies that are not significant deficiencies must be described in a written management letter, which must be referenced in the auditor’s report(s) on internal control and compliance. This management letter must be submitted to AHIM with the other reports noted in this section.

The final report shall be delivered to the Finance Committee and the AHIM Director of Finance no later than April 1, of this year and October 1, for each year following.

### **3.6 Reporting Criteria**

The reports described above shall be presented as prescribed by the American Institute of Certified Public Accountants (AICPA) in “Government Auditing Standards and Circular A-133 Audits”, current revision, except that a written management letter describing internal control and compliance deficiencies not reported in the auditor’s report is required. The management letter must be submitted with the other required reports.

#### **3.6.1 Significant deficiencies**

The reports shall contain all significant deficiencies, with those significant deficiencies that are considered material weaknesses being appropriately segregated and identified. Any other matters

conveyed to management shall be in writing in the management letter and shall be discussed during the exit conference.

Significant deficiencies presented as part of the reports shall be thorough and shall consist of the following components to the extent practicable:

- a. A statement of deficiency;
- b. The criteria for the significant deficiency;
- c. The cause of the deficiency;
- d. The effect of the deficiency;
- e. A recommendation for correction; and,
- f. Management's response and corrective action plan.

### **3.6.2 Uncorrected Prior Comments and Questioned Costs**

If applicable, the firm shall report on any uncorrected comments reported in the preceding audit. Also, if applicable, a firm shall report on the status of the prior-year questioned costs, whether resolved with the federal grantor or unresolved. The questioned costs to be reported on shall include all questioned costs from the preceding audit plus any unresolved questioned costs from prior years.

### **3.6.3 Identification of Fraud or Illegal Activities**

The firm shall immediately report, in writing, any fraud, irregularity, or illegal act or indication thereof that comes to its attention during the term of the contract. The report shall be made to the Finance Committee.

## **Section 4: General Contractual Information**

### **4.1 AHIM's Responsibilities**

1. AHIM shall make all files and records accessible to the firm, on site.
2. AHIM shall provide assistance to the firm, namely, gathering supporting documentation from the files and preparing schedules.
3. AHIM shall make appropriate personnel available for interviews and information-gathering purposes.
4. AHIM shall designate the Director of Finance as the liaison to coordinate activities between AHIM and the firm.
5. The Finance Committee and the AHIM's Executive Director and Director of Finance will discuss the draft audit report with the firm and shall provide the firm a written response to the draft report.
6. The Finance Committee may review and comment on the firm's audit working papers.



7. The Finance Committee shall review and provide written acceptance of the final audit report and AHIM shall provide payment to the firm in accordance with Section 4.3.
8. Upon final approval by the Finance Committee, the firm shall be responsible for working with AHIM to distribute all approved final audit reports.

## **4.2 The Firm's Responsibilities**

1. The selected firm shall designate a project manager who shall be the contact with the Finance Committee. The project manager shall oversee all activities for the firm in relation to this audit.
2. The firm shall be responsible for familiarity with appropriate state and federal laws and regulations, and appropriate auditing standards and requirements, including Generally Accepted Auditing Standards and requirements issued by the American Institute of Certified Public Accountants; Government Auditing Standards: 2007 Revision issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996, OMB Circular A-133: 2007 Revision, and the Circular A-133 Compliance Supplement (current revision). The firm shall also be responsible for familiarity with Act of 1500 (HB 1508) of 2013.
3. The firm shall be responsible for personnel, supplies, and equipment.
4. The firm shall be responsible for all services offered in the firm's proposal, regardless of whether the firm provides such services.
5. The firm shall have general professional liability insurance or specific professional liability insurance for this engagement and provide proof of said coverage in its technical proposal.
6. The firm shall be responsible for correcting all material errors and omissions in the performance of the contract.
7. The firm shall notify the AHIM Director of Finance when field work begins on the audit.
8. The firm's designated liaison shall communicate by telephone no less than weekly with the AHIM Director of Finance.
9. The firm shall communicate in writing any proposed personnel substitution (including their qualifications) to the AHIM Director of Finance and receive written approval prior to implementation.
10. The firm shall provide a draft copy of the audit report to the Director of Finance and Executive Director of AHIM at a time to be determined during contract negotiations, and discuss its contents with the Finance Committee.

11. Upon completion of field work and after providing a draft copy of the audit report to the Board of Directors, the firm shall conduct an exit conference with AHIM.
12. The firm shall retain, at the firm's expense, all working papers and reports for a minimum of 3 (3) years or until all audit-related disputes are resolved. The firm shall be required to make working papers available, upon request, to designated representatives of AHIM or any representatives authorized by AHIM, and the Office of the Inspector General.
13. The firm shall respond to all inquiries of successor auditors, in accordance with AU Section 315 of the AICPA Professional Standards.

## **4.3 Payment for Services**

### **4.3.1 Payment Procedures**

Payment is predicated upon completion of the described work and delivery of the required documentation.

Invoices must be signed, by an individual authorized to legally bind the firm, and submitted to the AHIM Director of Finance with adequate supporting documentation, including but not limited to the following:

- a. The firm's invoice number
- b. AHIM's personal service contract number
- c. "Remit to" address
- d. Description of the services performed
- e. Period the services cover
- f. Total hours worked, broken down by charge rate and the following personnel categories: Partner, Manager, Supervisor, Senior, and Staff.
- g. Total hours worked, broken down by charge rate and the firm individual
- h. Travel costs, identifying the date and purpose of trip, amount of lodging costs, number of miles driven, cost per mile, and total mileage costs

### **4.3.2 Method of Payment**

After appropriate review and approval of the audit firm's Final Report, AHIM shall process such invoices for payment. Every reasonable effort shall be made to provide payment to the firm within 30 days after receipt and approval of a properly supported invoice.

- a. The firm may submit an invoice for 50% of the contracted amount prior to submission of final audit report to AHIM.
- b. The firm may submit an invoice for the remaining 50% of the contracted amount upon submission of the final report to AHIM.

### **4.3.3 Penalties for non-delivery or Late Delivery of Services**

Penalties for non-delivery or late delivery of services shall be established during the contract negotiation process.

#### 4.4 Modifications to Statement of Work

Any modifications to the statement of work shall be thoroughly discussed with the selected firm and agreed to in writing by the firm and AHIM prior to implementation. If necessary, the contract amount shall be amended to reflect such modification.

## Section 5: Technical Proposal

### 5.1 Responsiveness

In order to be considered, the proposal submitted by the Offeror must be completely responsive to this RFP. All conditions printed on the RFP are hereby made a part of the conditions under which the proposal is submitted and shall be incorporated, in whole or in part at AHIM’s discretion, into any contract on this project. The contents of a proposal, in whole or in part at AHIM’s discretion, shall become part of any contract resulting from that proposal. Failure of a firm to accept these obligations may result in disqualification from the procurement process.

### 5.4 Format of the Technical Proposal

The technical proposal shall respond completely to the requirements stated in this section. In order to permit effective comparisons of competing proposals, the following format shall be adhered to:

Section Number	Section Title
1	Title Page – Include name of the firm, local address, telephone number, fax number, email address (if any), name of contact person, and date.
2	Table of Contents – Clearly identify the material by section and page number
3	Transmittal Letter—In the form of a standard business letter and shall be signed by an individual authorized to legally bind the firm. It shall include the following: <ul style="list-style-type: none"> <li>a) A statement indicating the firm is a corporation or other legal entity.</li> <li>b) A statement that no attempt has been made or shall be made by the firm to induce any other person or a firm to submit or not to submit a proposal.</li> <li>c) A statement of affirmative action that the firm does not discriminate in its employment practices because of race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin, or persons with disabilities. In addition, the firm shall provide a statement of compliance with the requirements of Title VI of the Civil Rights Act of 1964.</li> <li>d) A statement that the firm is a properly licensed certified public accountant in the State of Arkansas. This information will be verified with the Arkansas State Public Accountancy Board.</li> <li>e) A statement that the firm is in compliance with the provisions of Government Auditing Standards: 2007 Revision, issued by the U.S. General Accounting Office, concerning continuing education requirements, independence, and</li> </ul>

	<p>external quality control review (peer review).</p> <p>f) A statement that the firm has reviewed all relationships and has determined that it meets the objectivity and independence standards of ET sections 55 and 101. A statement that the firm is in compliance with the provisions of Government of the Code of Professional Conduct of the American Institute of Certified Public Accountants.</p> <p>g) Prior to contract execution, a firm may be asked to disclose additional information involving relationships with major vendors of AHIM or its components.</p> <p>h) A statement of whether the firm’s most recent peer review included a review of specific government engagements. A copy of the firm’s most recent peer review report must be submitted.</p> <p>i) A statement that the firm has not been the subject of any disciplinary action.</p> <p>j) A statement that the firm has liability insurance, together with proof of such coverage. A copy of such proof of insurance coverage must be submitted.</p> <p>k) A statement identifying all addenda to this RFP issued by AHIM and received by the firm. If no addenda have been received, a statement to that effect shall be included.</p> <p>l) A statement that no cost or pricing information has been included in the technical proposal.</p> <p>m) A statement that the firm certifies the following in connection with this procurement:</p> <ul style="list-style-type: none"> <li>(1) The preliminary cost proposal has been arrived at independently, without consultation, communication, or agreement with any other the firm or with any competitor, for the purpose of restricting competition as to any matter relating to such preliminary cost proposal.</li> <li>(2) Unless otherwise required by law, the preliminary cost proposal has not knowingly been disclosed by the firm prior to award, directly or indirectly, to any other firm or to any competitor.</li> </ul> <p>n) A statement that the person signing this proposal certifies that he or she is the person in the firm’s organization responsible for, or authorized to make, decisions as to the prices quoted and that he or she has not participated, and shall not participate, in any action contrary to m.(1) or m.(2) of the above paragraph.</p> <p>o) A statement that the firm’s proposal shall remain valid until three (3) months after the closing date of the receipt of the proposals.</p> <p>p) A statement that, should a firm be awarded the contract for audit services, all working papers and reports shall be retained, at the firm’s expense, for a minimum of three (3) years or until all audit-related disputes are resolved.</p> <p>q) A statement that, should a firm be awarded the contract for audit services, the firm shall make working papers available, upon request, to (Audit Committee or other authorized entity) , the AHIM Legislative Oversight Committee, and/or the Arkansas Governor’s Office.</p>
4	<p>Audit Firm Qualifications</p> <p>a) The Firm Background and Experience: The details of the firm background and experience shall cover the following:</p> <ul style="list-style-type: none"> <li>(1) Date the firm was established.</li> <li>(2) Total number of professional staff.</li> <li>(3) Provide a listing and description of five (5) experiences during the last three consecutive calendar years in working on the following</li> </ul>

	<p>types of audits:</p> <ul style="list-style-type: none"> <li>(a) OMB Circular A-133 audits of other state agencies.</li> <li>(b) Other OMB Circular A-133 audits.</li> <li>(c) Other audits involving health care facilities.</li> <li>(d) Other governmental audits. <ul style="list-style-type: none"> <li>1. For each audit listed, provide the year, engagement partner, total hours, and name and telephone number of the principal client contact. Prior clients will be contacted by AHIM during the evaluation phase.</li> </ul> </li> </ul> <p>(4) Provide three references for audits included above. The reference should include the individuals name, title, organization audited, email address, and telephone number.</p> <p>b) Individual Staff Qualifications</p> <ul style="list-style-type: none"> <li>(1) Provide a brief biographical sketch describing the qualifications of each auditor, including IT auditors, who may be assigned to the engagement. Include the auditor's current office location..</li> </ul> <p>c) Describe each auditor's audit experience in the following categories:</p> <ul style="list-style-type: none"> <li>(1) OMB Circular A-133 audits of other state agencies.</li> <li>(2) Other OMB Circular A-133 audits.</li> <li>(3) Other audits involving health care facilities.</li> <li>(4) Other governmental audits.</li> </ul> <p>d) Cost Proposal - Include the table shown in Section 6.1 and a brief narrative explanation for how the Offeror arrived at the budget.</p>
5	<p>Representation Letter</p> <p>The technical proposal shall include a representation letter stating that the firm is in compliance with Generally Accepted Auditing Standards and the provisions of <u>Government Auditing Standards: 2007 Revision</u>, issued by the Comptroller General of the United States, U.S. General Accounting Office, concerning continuing education requirements, independence, and external quality control review (peer review).</p> <p>The representation letter shall include the following language relating to independence:</p> <p style="padding-left: 40px;">As auditors of AHIM, for the year ended June 30, 2015, we are independent in accordance with the objectivity and independence standards of AU Sections 220 and 543 of the AICPA Professional Standards and Professional Ethics Committee Interpretation 101.10 (<i>except, if applicable, for the impairment described below.</i>) [<i>The firm shall include with the required language relating to independence any impairment the firm may have.</i>].</p> <p>The representation letter shall be signed by the same person who signs the cost proposal and the transmittal letter in the technical proposal.</p>

## 5.5 Deviation from Specifications

If the technical proposal deviates from the detailed specifications and requirements of this RFP, the transmittal letter shall identify and explain these deviations. AHIM reserves the right to reject any proposal containing such deviations or to require modifications before acceptance.

## **5.6 Proposal Submission**

To be considered for contract award, 5 copies of the Technical proposal (which includes the Cost Proposal) must be at the office of AHIM offices at 221 W. 2nd Street, Ste.700 Little Rock, AR 72201, addressed to the Director of Finance by 3 p.m. CST on December 9, 2015.

## **Section 6: Cost Proposal**

### **6.1 General**

The cost proposal shall be for the services requested in this RFP and shall provide name of the firm and personnel classification, audit hours, and rate information as shown in the following schedule format:

The Total Contract amount is the maximum amount to be billed for services in each year. The cost proposal shall be signed by the same person who signs the transmittal and representation letters in the technical proposal.

### **6.2 Deviation from Specifications**

If the cost proposal deviates from the specifications and requirements of this RFP, the transmittal letter shall identify and explain these deviations. AHIM reserves the right to reject any proposal containing such deviations or to require modifications before acceptance.

Proposals of firms that are disqualified in the evaluation of technical proposals will not be eligible for an evaluation of cost proposals.

### **6.3 Submission of Cost Proposal**

The Cost Proposal should be submitted as part of the Technical Proposal, as shown in Section 5.4.

## **Section 7: Evaluation**

The award shall be made to the responsible Offeror whose proposal is determined to be the most advantageous to AHIM taking into consideration the qualifications, experience, and ability to provide for accounting services.