

REQUEST FOR PROPOSALS  
For  
Auditing Services

Nebraska State College System  
1327 H Street, Suite 200  
P.O. Box 94605  
Lincoln, NE 68509

Release Date:	January 16, 2020
Vendor Questions Due:	January 27, 2020
Response to Questions:	January 30, 2020
Proposal Must be Received No Later Than:	February 13, 2020, 4:00 p.m. CST
Finalists Presentations:	March 5 or 6, 2020
Contract Negotiations:	Begin March 9, 2020 (approx.)
Negotiated contract to NSCS:	By March 20, 2020
Effective Date:	April 23, 2020 (following Board approval)

All documents pertinent to this Request for Proposal will be posted on the Nebraska State College System website <http://www.nscs.edu>. It is the vendor's responsibility to periodically check the website for the most current information.

# Nebraska State College System

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## REQUEST FOR PROPOSAL NOTICE

Notice is hereby given that the Nebraska State College System (NSCS) will accept Proposals for auditing services until **February 13, 2020, 4:00 p.m. Central Standard Time (CST)**.

All Proposals shall be clearly identified as *Auditing Proposal for the Nebraska State College System*. Four (4) paper copies and one (1) electronic copy of your Proposal (one must be marked as Original) should be forwarded to the NSCS at the following address if by U.S. Postal Service:

**Nebraska State College System  
Attn: Carolyn Murphy  
1327 H Street, Suite 200  
Lincoln, NE 68508**

Please note that no formal opening of the Proposals will take place.

Proposals will be evaluated and the successful vendor(s) will be determined and approved by the NSCS. The NSCS reserves the right to reject any or all Proposals, waive formalities, and to select the vendor, benefits, and services that best meet the needs of the NSCS. The NSCS reserves the right to select and terminate any servicing agent, agency, company or administrator.

Inquiries, clarification, or requests for Proposal forms and questionnaires by electronic mail should be directed by e-mail to the following contact:

Carolyn Murphy  
Vice Chancellor for Finance and Administration  
E-mail: [cmurphy@nscs.edu](mailto:cmurphy@nscs.edu)

## **BACKGROUND AND GENERAL INFORMATION**

The Nebraska State College System (NSCS) is seeking proposals for auditing services related to the annual audit of the Nebraska State Colleges Facilities Corporation, the NSCS's Revenue Bond Programs, the Federal Uniform Guidance Audit, and NCAA Agreed-Upon Procedures. The purpose of this Request for Proposals is to gather information from your organization relative to the NSCS required scope of service and key selection criteria. Organizations selected as finalists may be expected to address more detailed issues regarding financial and other specifics of their organization and operations. These same finalists may be interviewed and make a presentation at the NSCS System Office to the selection committee.

### Nebraska State College System

The NSCS serves over 8,000 students from Nebraska and the surrounding states through three geographically diverse institutions: Chadron State College, Peru State College, and Wayne State College. The State Colleges, along with the System Office and the Board of Trustees, constitute the Nebraska State College System.

### Nebraska State Colleges Facilities Corporation

The Nebraska State Colleges Facilities Corporation (Corporation) is a nonprofit corporation incorporated in 1983 and is considered a component unit of the NSCS. The Corporation was formed in response to the passage of LB 410 (1983) allowing the Board of Trustees to make certain renovations and other related improvements for the State Colleges. The bill authorized the sale of long-term bonds to pay for projects, with the State obligating cigarette tax revenues to make the required principal and interest payments. Bonds were issued in 1983, 1987, 1992, 1999, 2001, 2006, 2014, and 2016. All the bonds except the 2014 and 2016 Series Bonds have been repaid.

In 2016, the Legislature approved and the Governor signed LB 957, which expressed intent to continue appropriating \$1,125,000 annually to the Board of Trustees for the second biennium period and expressed intent to continue such funding for ten years beginning July 1, 2020 and continuing through the fiscal year ending June 30, 2030, to undertake maintenance, repair and renovation projects at the State Colleges. Matching funds are required by the Board of Trustees. For fiscal year 2021 and forward these matching funds are \$1,440,000 annually. Matching funds are provided from the State Colleges' Capital Improvement Fund, which is derived from a per-credit-hour charge on all students attending a State College.

In 2019, the Legislature approved and the Governor signed LB 297, which authorized the issuance of bonds for a renovation and addition project to the Math Science building at Chadron State College; and extended funding of \$2.2 million per year (currently used for the 2014 issue) through fiscal year 2035. The NSCS anticipates the issuance of bonds in the spring, 2020.

Bonds payable at June 30, 2019, totaled \$29,510,000.

The Nebraska State Colleges Facilities Corporation requires an annual audit covering its fiscal year ended June 30. The statement of net assets and related statements of revenues, expenses, and changes in net assets and cash flow are prepared on an accrual basis of accounting and presented in accordance with U.S. generally accepted principles. The audit opinion must cover the financial statements that comprise the Corporation's basic financial statements. Financial statements only contain assets, liabilities, revenues, and expenses related to the Corporation bonds. Corporation assets do not include facilities and/or improvements as they are transferred and reported in the NSCS financial statements. Documentation for the Corporation's transactions is retained by the System Office in Lincoln. A copy of the fiscal year ended June 30, 2019 audit is available on the website at <https://www.nscs.edu/for-nebraska/audit-reports>.

### Revenue Bond Programs

The Nebraska State Colleges Revenue and Refunding Bond Funds, which are funds of Chadron State College, Peru State College, and Wayne State College, were established to account for revenues and earnings derived from the operation of all revenue facilities and special student fees, which are pledged for the payment of principal and interest of the revenue bonds.

The State Colleges' Revenue Bond Programs requires an annual audit covering the fiscal year ended June 30. The statement of revenues collected and expenditures paid and changes in fund balances of the Revenue and Refunding Bond Funds are prepared on the basis of cash receipts and disbursements and do not reflect receivables, capital assets, notes payable, bonds payable, accounts payable, and accrued items. During the fiscal year 2019 \$21,406,261 in revenues were collected and \$21,511,420 in expenses were paid from the revenue bond programs. At June 30, 2019, the Revenue and Refunding Bond Fund balance totaled \$33,045,329. Outstanding bond principal at June 30 totaled \$40,350,000 and consisted of the 2012, 2013, 2014, 2015, 2016, 2016B, and 2016C Series. Documentation for the Revenue Bond Programs' transactions is retained by the separate State Colleges. A copy of the fiscal year ended June 30, 2019 audit is available on the website at <https://www.nscs.edu/for-nebraska/audit-reports>.

### Federal Funds and Uniform Guidance Audit

Chadron State College, Peru State College, and Wayne State College receive funds from various federal agencies and other pass-through entities. The NSCS requires an audit for these federal funds covering the fiscal year ended June 30. The basic financial statements required for the federal audit submission to the Federal Clearinghouse will be audited by the Nebraska Auditor of Public Accounts (APA). The audit report for these basic financial statements is anticipated from the APA sometime in December of each year. Each State College retains its own documentation related to federal programs.

For fiscal year 2019, total expenditures of federal awards were \$44,580,501. Of this amount, \$43,257,761 related to the Student Financial Aid Cluster. For fiscal year June 30 the Student Financial Aid and Trio Clusters were audited as major programs. The NSCS does not expect any major changes in total federal awards for fiscal year 2020. The only federal programs the NSCS expects to have over \$750,000 in federal expenditures are the Student Financial Aid and Trio Clusters. Due to severe flooding in the community in 2019, Peru State College may have additional federal funding from FEMA. A copy of the fiscal year ended June 30, 2019 audit will be available when completed on the website at <https://www.nscs.edu/for-nebraska/audit-reports>.

### NCAA Agreed Upon Procedures

Chadron State and Wayne State Colleges participate in NCAA Division II athletics. As such, they require an Agreed Upon Procedures audit every 3 years.

### Perkins Close-Out Review

Only Wayne State College has a remaining Perkins Program. The College anticipates closing out that program during the period covered by this RFP.

## SCOPE OF SERVICE

The organization selected will provide the following services:

- For the Nebraska State Colleges Facilities Corporation:
  - An annual audit covering the fiscal year ended June 30, 2020. The audit will express an opinion on the financial statements that comprise the Corporation's basic financial statements. Financial statements will consist of a statement of net assets; statements of revenues, expenses, and changes in net assets; and a cash flow. Statements will be prepared on an accrual basis of accounting and presented in accordance with U.S. generally accepted principles.
  - The audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.
  - Financial statements, footnotes, and additional information contained in the audit report will be prepared by the NSCS System Office.
  - The audit must be completed by September 30, 2020, in order for the Nebraska State Colleges Facilities Corporation to accept it at their annual Board meeting in November.
  
- For the Revenue Bond Programs:
  - An annual audit covering the fiscal year ended June 30, 2020. The audit report will include all three Colleges and will express an opinion on the statements of revenues collected and expenditures paid and changes in fund balances of the Revenue and Refunding Bond Funds. The statements will be prepared on a cash basis which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
  - The audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used, as well as evaluating the overall financial statement presentation.
  - The audit will also show in reasonable detail in the supplementary schedules:
    - The revenue credited to the revenue fund during the year and the deductions and payments made therefrom
    - The financial statement of the State Colleges, the funds and accounts established in the bond resolutions
    - The transactions during the year relating to said funds and accounts
    - Rental income by facility
    - A review of the insurance carried on the facilities
    - Debt service coverage
    - The percentage of occupancy and use of the facilities and the number of students with respect to whom any fees are pledged and charge
    - Any other matters deemed relevant and necessary by the auditor to make the audit informative
  - Financial statements, footnotes, and supplementary schedules contained in the audit report will be prepared by either the NSCS System Office or the individual State Colleges.

- The audit must be completed by October 28, 2020, as the Master Resolution for the bonds requires an audit within ninety (120) days of the close of the fiscal year.
- For the Federal Uniform Guidance Audit:
  - A Federal Uniform Guidance Audit covering the fiscal year June 30, 2020. The audit will include all three State Colleges and express an opinion on the combined schedule of expenditures of federal awards (SEFA) and whether it is presented fairly in all material respects in relation to the financial statements taken as a whole. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
  - The audit will also include a report on internal control and compliance related to the major programs as well as a schedule of findings and questioned costs. The report on compliance shall express an opinion as to whether the NSCS has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs.
  - The vendor shall complete and sign specified sections of the data collection form.
  - SEFA and footnotes will be prepared by the NSCS System Office from information provided by the State Colleges.
  - Audit fieldwork shall be arranged to avoid peak times in the student financial aid office such as August and early September. Submission of audit package to the Federal Clearinghouse shall occur no later than January 31, 2021.
- For the NCAA Agreed-Upon Procedures:
  - Chadron State College (CSC) and Wayne State College (WSC), require per the NCAA Bylaw 6.2.3.1 “At least once every three years, all expenses and revenues for or on behalf of a Division II member institution’s intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to agreed-on procedures approved by the Division II membership (in addition to any regular financial reporting policies and procedures of the institution) conducted for the institution by a qualified independent accountant...”
  - The NCAA has developed minimum level of procedures considered necessary to achieve the objective:
    - Athletics Department Statement of Revenues and Expenses
    - Minimum Compliance Agreed-Upon Procedures
    - Minimum Agreed-Upon Procedures
  - NCAA Bylaw 6.2.3.1.1. “The report created pursuant to the approved procedures shall be completed and presented to the president or chancellor on or before January 15 after the end of the institution’s fiscal year.”
    - WSC Agreed-Upon Procedures due by January 15, 2022 and January 15, 2025
    - CSC Agreed-Upon Procedures due by January 15, 2023 and January 15, 2026

- The institution's agreed-upon procedures report shall be presented to the president or chancellor by the independent accountant. The report's primary purpose is to ensure that the president or chancellor is made aware of all financial activity (both internal and external) for athletics purposes and to assist the institution in exercising control over financial activity made by or on behalf of the intercollegiate athletics program. The report should not be filed with the NCAA national office. However, should information supplied as a result of this initiative raise questions or prompt concerns about the proper application of NCAA legislation, an institution's president or chancellor may wish to contact the NCAA administrative services staff for assistance. The report's secondary purpose is to ensure the accuracy of the data the institution is submitting for sports sponsorship and grants-in-aid, which determines the calculation of several revenue distributions. The agreed-upon procedures scope of work shall include the reporting of revenue and expenses required in the EADA and NCAA financial reporting information. The definitions used in the agreed-upon procedures provide a consistent means of reporting intercollegiate athletics finances and will provide the presidents or chancellors and other campus decision makers of our member institutions with empirical data to assist them in making their formal decisions. Data available for the agreed-upon procedures may vary among institutions as a result of differences in athletics programs' organizational structure, financial resources and accounting and budgetary methods.
- Perkins Close-Out Review:
  - Wayne State College will require a Perkins audit done in accordance with the Federal Student Aid Federal Perkins Loan Program Assignment and Liquidation Guide. Consideration can be given to include this audit requirement as part of the Single Audit or through a separate letter of engagement.
- All audit services will include obtaining an understanding of the NSCS's internal control and financial structure and processes sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. The successful vendor will produce a report of the findings related to internal controls and processes that shall include proposed improvements and recommendations.
- A management letter detailing vendor's recommendations shall be delivered to the NSCS at the close of each engagement.

## **PROPOSAL EVALUATION CRITERIA**

The NSCS will evaluate proposals based on the needs of the NSCS. The NSCS will choose the proposal that best fits its needs. The NSCS is not obligated to award the contract based on cost alone. The following criteria will be used in evaluating each of the vendor responses:

1. Compliance with specifications.
2. Ability to offer a comprehensive set of core services.
3. Ability of assigned staff to provide service and support to the NSCS.
4. Competitive fees.
5. Stability of rates and fees over time.
6. Compliance with applicable State and Federal laws and regulations.
7. Staff knowledge and experience in auditing higher education, specifically bonds auditing, GASB Standards and Federal Uniform Guidance auditing.
8. Responsiveness of proposal in clearly stating an understanding of the work to be performed.
9. Vendor's size, location, structure, and experience with colleges, other nonprofits, and single audit entities.
10. Vendor and staff performing the Federal Uniform Guidance audit meet all requirements of the standards set forth in in chapter 3 of the GAO Yellow Book needed to perform this audit.
11. Results of peer reviews.
12. Other criteria identified by the NSCS as important in the evaluation of submitted proposals.

## **CONDITIONS AND STIPULATIONS**

You are invited to submit your Proposal for auditing services based on the information contained in this Request for Proposal. Unless a specific note is made to the contrary, we will assume that your Proposal conforms to the NSCS Specifications.

You are invited to ask questions during the proposal process and to seek additional information, if needed. We want this to be an interactive process and will make every effort to provide sufficient data for your response. All questions should be submitted in writing to Carolyn Murphy, Vice Chancellor for Finance and Administration at the address or e-mail address noted on the Request for Proposal Notice. Questions must be received no later than January 27, 2020. A written response to all questions will be provided on the NSCS web page on January 30, 2020.

In order to obtain efficiencies, the NSCS would prefer that one vendor be engaged to provide all audits; however, separate vendors may be engaged for each of the audit services if it is the NSCS's best interest to do so.

A fixed-price contract will be awarded as a result of this Proposal. Proposals should include the fee for each audit engagement related the fiscal year ended June 30, 2020 engagements. Proposed fees for subsequent years will be judged favorably although not required. Fee proposals should be broken out by each individual audit engagement. In addition to the fee proposed for each audit service, the vendor must provide the estimated audit service hours for each engagement.

In accordance with the revenue bond Master Resolution, the firm appointed by the Board shall be an independent Certified Public Accountant or firm of independent Certified Public Accountants of national reputation and licensed, registered or entitled to practice and practicing as such under the laws of the State of Nebraska.

During the course of its work, the vendor shall bring to the NSCS's attention all instances whereby, in the vendor's professional opinion, any internal control weakness or noncompliance with laws or regulations exists.

The proposal should provide that the vendor will periodically consult with and furnish progress reports as determined necessary by the NSCS. Such progress reports should specifically identify the work accomplished to date and preliminary findings or recommendations.

Monthly detailed financial activity reports are received from the bond trustee, BOK Financial, and stored in System Office as well as in the business offices at each College. Information related to insurance and bonding activities are also available in the System Office.

All working papers and reports must be retained, at the vendor's expense for a minimum of three (3) years, unless the vendor is notified in writing by the NSCS of the need to extend the retention period. The vendor will be required to make working papers available, upon request, to the Nebraska Auditor of Public Accounts.

At the conclusion of the audit engagements, six (6) copies of the audit report shall be delivered to the Nebraska State College System Office, along with an electronic copy.

Any proprietary information submitted with your Proposal must be in a sealed envelope marked "Proprietary". Generally, responses are considered public information and can only be kept confidential to

the extent allowed by law. A firm may not mark significant portions of its proposal as proprietary, but only that that can be considered proprietary by the laws of the State of Nebraska.

The NSCS will look to contract with a vendor whose Proposal is the most advantageous to the NSCS as determined by the evaluation process. The services provided should address the needs of the NSCS.

Auditors should have background in governmental auditing as well as higher education. Lead auditor qualifications should be identified as part of your Proposal.

The NSCS reserves the right to accept or reject any or all proposals and to waive formalities and select auditing firm that best meet the needs of the NSCS. The NSCS objective is to select a firm who will provide the best possible service at the best possible cost while meeting the Request for Proposal specifications. The NSCS is not obligated to award the contract based on cost alone.

Any proposed deviations to any part of these Specifications must be submitted in writing as part of the questionnaire, (question #1) and clearly identified in the appropriate section of the Proposal. Any deviation deemed to be significant by the NSCS will disqualify the Proposal.

Failure to identify any such deviation(s) shall not in the future accrue to the disadvantage of the NSCS in any manner.

The vendor awarded the business shall submit properly negotiated and executed agreed upon contracts (engagement letters) to the NSCS no later than March 20, 2020.

The NSCS reserves the right to negotiate with the selected vendor to obtain other related services not specifically covered herein. Further, the NSCS reserves the right to enter into negotiations with the selected vendor even though these negotiations may result in changes to the NSCS specifications and/or to the vendor's proposal.

The vendor will remain an independent contractor, not an employee of the NSCS, and is not entitled to unemployment or Worker's compensation insurance benefits from the NSCS as a result of any contract.

This Request for Proposal does not obligate the NSCS to eventual contract for any items described or implied until confirmed by written contract and may be terminated by the NSCS without penalty or obligation at any time prior to the signing of a contract.

All expenses for developing and presenting proposals shall be the entire responsibility of the vendor and shall not be chargeable to the NSCS.

In the event of a dispute, the laws of the State of Nebraska shall prevail.

## VENDOR ORGANIZATION QUESTIONNAIRE

Note: A complete response to this questionnaire must accompany all Requests for Proposals. A response such as “See Proposal” is **not** sufficient unless there is proper reference to the specific section of the proposal addressing the question. Please be specific in your answers.

### Deviations

1. Does your Proposal contain **any** deviations from the services, general conditions, stipulations or other provisions of the Specifications? If yes, provide details in a separate cover letter. Otherwise, confirm that you have responded according to Proposal conditions.

### Fees

1. Provide a detailed schedule of proposed fees and estimated hours for the audits. Fees and hours should be broken out for each of the three audits, the NCAA Agreed-Upon Procedures, and the Perkins Close-Out Audit. If the firm expects to audit multiple major programs, please break out proposed fee for Federal Uniform Guidance by major program.
2. Are the fees quoted in this Proposal firm and guaranteed for the term of the contract? The contract will be for the fiscal year 2020 audits. The contract will include the option to renew the audit engagements for six (6) additional years.
3. Please provide a fee estimate for reviewing official statements for bond issuances which may occur subsequent to the revenue bond or Nebraska State Colleges Facilities Corporation audits.

### Firm Overview

1. What experience has your firm had with public sector entities?
2. What experience has your firm had with higher education institutions?
3. Describe the firm’s expertise in areas that are important to the NSCS?
4. Describe the firm’s expertise in providing bond audit services.
5. Briefly indicate the main attributes that differentiate your firm from your competitors.
6. Who will be responsible for leading the audits? Who will be the key staff assigned to the audits? What is their background experience?
7. If your firm has multiple locations, which office location(s) will be handling the audit?
8. What approach will you use to conduct the audits? Will the same set of individuals be performing all three audits and will fieldwork occur at the same time or will different fieldwork dates be used for each audit? Please include a tentative schedule of when fieldwork may occur for each audit.
9. If we select your firm as our new auditors, what procedures would your firm employ to ensure a smooth and effective transition from our current auditors?

10. Indicate what information and assistance will be desired from the NSCS staff in order to accomplish the work, including a description of any particular timing and/or space requirements. Indicate what methods of communication will be used to keep management informed during audit fieldwork. Discuss how you will work with our proposed schedule of audit timing to meet our time commitments and deadlines.
11. Does the firm have a secure website, or other secure means, which can be used to send audit information which may contain sensitive student information?
12. Describe the firm's approach to bringing to the attention of management and trustees significant findings and recommendations that result from the audit.
13. Describe your position within the public accounting profession? If your firm is the subject of any litigation or professional disciplinary action that might adversely affect its ability to carry out a multiyear audit engagement at the NSCS, describe the litigation or disciplinary action.
14. Do you agree to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska? Note: A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.
15. Please provide a representative list of recent and current clients having similar services provided. Provide the names and telephone numbers of five (5) clients whom you serve as an auditor as a reference for the NSCS. (Preferably, the references should include governmental or educational units.)