

**REQUEST FOR PROPOSAL  
FOR QUALIFIED AUDITOR  
TO PERFORM  
QUARTERLY AUDITS OF COMPACT AND OTHER U.S. FEDERAL  
CASH RECEIPTS AND EXPENDITURES  
FOR  
CHUUK STATE GOVERNMENT  
FOR EACH OF THE FISCAL QUARTERS ENDING  
DECEMBER 30, 2008, MARCH 30, 2009 & JUNE 30, 2009**

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## **I. DESCRIPTION OF THE ENTITY**

Chuuk is one of the four states that make up the Federated States of Micronesia (FSM) along with the states of Kosrae, Pohnpei and Yap. The State is a constitutional government comprised of three branches: the Legislative Branch, consisting of the Senate (10 members elected for a term of four years by qualified voters of their respective election districts with the President of the Senate as its highest officer) and the House of Representative (28 members elected for a term of two years by qualified voters of their respective election districts with the Speaker as its highest officer), the Executive Branch, headed by the Governor and Lt. Governor who are primarily responsible for executing the laws and administering state government services; and the Judiciary Branch made up of the State Supreme Court, which consists of a Chief Justice and four Associate Justices, such lower courts that may be created by law, and the municipal courts.

At a recent JEMCO meeting in August 2008 in Washington, D.C., the JEMCO members adopted Resolution 2008-01 requiring the FSM to secure the service of a professional audit firm to provide quarterly reports on the financial conduct and internal control environment of Chuuk's Department of Administrative Services.

The last quarterly audit reports covering the fiscal year 2007 are available at the FSM Public Auditor's website at [www.fsmopa.fm](http://www.fsmopa.fm) under 'Audit.'

Deloitte & Touche performed the annual single audits for fiscal years 2000 through 2006 and issued disclaimer opinions. For fiscal year 2007, the auditor issued a qualified opinion on the financial statements.

The quarterly audits are separate from the annual single audits. Deloitte & Touche did the quarterly audits for fiscal year 2007.

## **II. SYSTEMS AND RECORDS**

The Chuuk State government implemented a new financial information management system (FMIS) in February, 2008, when it migrated from a fund accounting system written in UNIX - Focus to the proprietary fund accounting software, Fundware. This system integrates the standard fund accounting modules for payroll, cash receipts and accounts payable around a core General Ledger module. All of the records and reports pertinent to fiscal year 2009 are available through the FMIS.

As part of its FMIS implementation, Chuuk State also incorporated a new uniform chart of accounts. The Fundware system and new chart of accounts are now used in all four states of the Federated States of Micronesia as well as the FSM national government. Consequently, there is considerable institutional knowledge about using the Fundware system for audit purposes. Moreover, there are a variety of customized summary and detail reports that will be available to the auditors on Compact Sector expenditures to assist them with the reconciliations, sample selections and compilations.

Hard copies of sector grant awards, budget allotment advices, procurement documents, accounts payable vouchers, payroll supporting documents and cancelled checks will be available in the Chuuk State Finance Office.

### **III. SCOPE OF SERVICES**

The quarterly audits will cover the US Department of Interior (Compact) cash receipts and expenditures of the Chuuk State for each of the quarters ending December 31, 2008, March 31, 2009 and June 30, 2009 and are to include reporting on the schedule of cash draw-downs and expenditures prepared using the modified accrual basis of accounting including the requirements of the Government Accounting Standards Board. The professional audit firm shall deliver an audit report at the end of each quarter accompanied by a report on internal control over financial reporting and on compliance and other matters that will detail instances of noncompliance with applicable rules and regulations as required by the Single Audit Act. The audit reports are required within 60 days after the end of the each quarter. The quarterly audits will not include other US federal program funds.

### **IV. TERM OF THE ENGAGEMENT**

The quarterly audits for the Chuuk State are to cover the quarters ending December 30, 2008, March 31, 2009, and June 30, 2009, and the final audit reports are to be delivered to the National Public Auditor within 60 days after the end of each quarter.

### **V. PROJECT SCHEDULE**

#### **Administration:**

- Issuance of RFP.....October 27, 2008
- Deadline for bid proposals.....December 3, 2008
- Selection of auditor.....December 15, 2008
- Notification for auditor to proceed.....December 17, 2008

#### **First Quarter Review:**

- DAS to provide Schedule of Cash Receipts and Expenditures within 30 days from December 31, 2008 to the Public Auditor and the external auditor;
- Auditor to select items to be tested and to provide that listing to Public Auditor and Director of DAS within five (5) working days from the receipt of the Schedule;
- DAS to pull the requested detailed information for inspection by the auditor within ten (10) working days from receipt of the listing from the auditor;
- Auditor will arrive in Chuuk upon mail notification from DAS and will have 30 working days to perform the audit procedures and to issue draft reports to the Director of DAS and the Public Auditor; and,

- DAS will have 7 working days to provide audit response or clear audit findings before the auditor issues the final report.

#### Second Quarter Review:

- DAS to provide Schedule of Cash Receipts and Expenditures within 30 days from March 31, 2009 to the Public Auditor and the external auditor;
- Auditor to select items to be tested and to provide that listing to Public Auditor and Director of DAS within five (5) working days from the receipt of the Schedule;
- DAS to pull the requested detailed information for inspection by the auditor within ten (10) working days from receipt of the listing from the auditor;
- Auditor will arrive in Chuuk upon mail notification from DAS and will have 30 working days to perform the audit procedures and to issue draft reports to the Director of DAS and the Public Auditor; and,
- DAS will have 7 working days to provide audit response or clear audit findings before the auditor issues the final report.

#### Third Quarter Review:

- DAS to provide Schedule of Cash Receipts and Expenditures within 30 days from June 30, 2009 to the Public Auditor and the external auditor;
- Auditor to select items to be tested and to provide that listing to Public Auditor and Director of DAS within five (5) working days from the receipt of the Schedule;
- DAS to pull the requested detailed information for inspection by the auditor within ten (10) working days from receipt of the listing from the auditor;
- Auditor will arrive in Chuuk upon mail notification from DAS and will have 30 working days to perform the audit procedures and to issue draft reports to the Director of DAS and the Public Auditor; and,
- DAS will have 7 working days to provide audit response or clear audit findings before the auditor issues the final report.

The fourth quarter transactions will be subjected to the annual single audit procedures hence the quarterly review will not be extended to the fourth quarter.

#### VI. NOTICES REGARDING PROPOSALS:

No oral explanation in regard to the meaning of the specification will be made and no oral instructions will be given before the award of the proposal. Discrepancies, omissions, or doubts as to the meaning of the specifications should be communicated in writing to Mr. Haser Hainrick, National Public Auditor, P.S. 05 Palikir, Pohnpei, FM 96941 for interpretation. Proposers should act promptly and allow sufficient time for a reply to reach them before submission of their proposals. Interpretation, if required, shall be made in the form of an amendment to the RFP, which will be forwarded to all prospective proposers, and its receipt by the proposer should be acknowledged on the proposal form.

All questions regarding the proposal should be in writing directed to Mr. Haser Hainrick, National Public Auditor, P.S. 05 Palikir, Pohnpei, FM 96941 and e-mail: [hhainrick@fsmopa.fm](mailto:hhainrick@fsmopa.fm). Except to the above persons named, direct or indirect contact with ONPA management or staff, or any person participating in the selection process is prohibited.

The proposer is required to read each and every page of the RFP and by the act of submitting a proposal shall be deemed to have accepted all conditions contained therein. In no case will failure to inspect constitute grounds for a claim or for the withdrawal of a proposal after opening.

Proposals may be withdrawn on written request received from the proposer prior to the time fixed for opening of the proposals. Negligence on the part of the proposer in preparing the proposal confers no right for the withdrawal of the proposal after it has been opened.

Proposals may be amended or modified prior to opening of the proposals but not subsequent to opening of the proposals. Any amendment issued pursuant to this RFP must be acknowledged as being received by the proposer. Amendments shall be distributed within a reasonable time to allow prospective firms to consider the issue in preparing their proposals. If the time and date set for receipt of proposals will not permit such preparation, such time shall be increased to the extent possible in the amendment or, if necessary, by fax or telephone and confirmed in the amendment.

## **VII. SUBMISSION OF PROPOSALS**

Proposals must be post-marked no later than November 27, 2008 and received in the Office of the National Public Auditor, Federated States of Micronesia no later than 4:30 p.m., local time, December 3, 2008. Proposals arriving later than this time by postal route will not be considered. Proposal not delivered by postal route must be received in the above office no later than 4:30 p.m. local time on November 27, 2008. Any proposals submitted after the above deadline will not be accepted.

Proposals must be delivered with original and four copies. The fee proposal should not be disclosed in the main proposal but should be submitted in a separate sealed envelope. Proposals must respond to all structured criteria as contained in part VII of this RFP.

Proposals shall not be any longer than 30 pages, exclusive of resumes, references, and work examples.

Proposals shall be typewritten and signed in ink. Erasures or other changes in a proposal must be explained or noted over the signature of the proposer. Proposals containing any conditions, omissions, unexplained erasures or alternations or items not called for in the RFP, or irregularities of any kind may be rejected by the Evaluation Committee as being incomplete.

Proposals **must remain** valid for at least ninety (90) days.

The Government of the Federated States of Micronesia reserves the right to:

- a. Reject all proposals and reissue an amended RFP.
- b. Request additional information from any firm submitting a proposal.
- c. Negotiate a contract with the firm(s) selected for the engagements.
- d. Waive any non-material violations of rules set up in this RFP.

The Government of the Federated States of Micronesia will not reimburse or pay for any costs incurred in preparing and submitting a proposal in response to this RFP.

#### VIII. MANDATORY CRITERIA

All respondents must include the following positive **affirmations** in their proposals:

- a. An affirmation that the proposer is properly licensed for the public practice as a certified public accountant or public accountant in accordance with Generally Accepted Government Auditing Standards (GAGAS) 2007 revision, published by the U.S. Government Accountability Office.
- b. An affirmation that the proposer meets the independence requirements of the GAGAS.
- c. An affirmation that the respondent does not have a record of substandard audit work. This should be accomplished by submitting a written report communicating the results of an external quality control review conducted within three years proceeding December 31, 2008.

#### IX. PROPOSAL CRITERIA

1. Qualifications of the firm and individuals:
  - a. Describe the organization and size of the firm and whether it is local, regional, national or international in operations.
  - b. Describe the office from which the work is to be staffed including the number of professional staff by staff level employed at that location.
  - c. Describe the range of activities performed by the local office such as auditing, accounting, tax service, and management service.
  - d. Include positive affirmations as discussed in the section on mandatory criteria.

- e. Identify the audit managers and field supervisors and other staff who will work on the audit, including staff from other than your local office. Resumes including relevant experience and the number and nature of Continue Professional Education hours for all auditors, including supervisors, managers and the individual with final responsibility for the engagement, should be included.

2. **Scope of Services:**

- a. Opinion reports on financial statements.
- b. Reports on the study and evaluation of internal controls.
- c. Describe the type and estimated amount of support you expect from the employees of the Department of Administrative Services, Chuuk State Government. List the types of documents that will be required to be produced before your staff arrives at the Chuuk DAS, and while they are there.
- d. Emphasize any special or extraordinary services your firm can provide that would distinguish it from its competitors.

3. **Plan for work and references:**

- a. Provide a listing of other contracts under which services similar in scope, size, and discipline for the required services were performed or undertaken in the past five years;
- b. Include a plan, giving as much detail as is practical, explaining how the services will be provided and when the work will be done.
- c. Provide clientele references, not to exceed five customers. These customers should have received similar type and scope of work as described in this RFP. Include contact name, title, complete address, phone number, email address, and facsimile number. Contact name should be capable of providing an appropriate reference for the work performed.

4. **Fee Proposal**

- a. The fee proposal should be submitted in a separate sealed envelope and the fee amount should not be disclosed anywhere else in the proposal.
- b. The auditor will be expected to provide transportation, temporary housing and meals while performing the audits. State the fee proposal and reimbursable costs and give a not-to-exceed amount to complete all



work required by this RFP. Give your best estimate of all reimbursable costs to be included and give a not-to-exceed figure for all reimbursable costs.

## **X. SELECTION PROCESS**

Proposals will be evaluated by a Committee consisting of four members. Proposals will be opened only by the Committee and information contained in a proposal will not be disclosed to the public until after the award.

Each response to one of the criteria contained in Section VII will be scored from 0 to 5, and then multiplied times the weight factor. The Committee will then evaluate the scores and may conduct phone interviews of the leading scores and check their references before selecting a firm to negotiate a contract with.

Criteria	Points	Weight	Score
Qualifications of Audit Firm and Individuals	0-5	2	0-10
Scope of Services	0-5	2	0-10
Plan for work and references	0-5	3	0-15
Fee Proposal	0-5	3	0-15

The Evaluation Committee will be comprised of the following members:

- a. The National Public Auditor
- b. A senior staff of the Office of the National Public Auditor, and
- c. One representative from Chuuk State Department of Administrative Services
- d. One representative from the Department of Finance & Administration.

The National Public Auditor reserves the right to appoint additional members to the committee or to appoint a substitute member if any of the listed members is unable to complete his duties.

The National Public Auditor reserves the right to waive any minor informality or irregularity in proposals received. The National Public Auditor shall have the prerogative to reject proposals in whole or in part if a determination is made in the public interest.

The results of the evaluation will be documented and used as guidance in the selection of the auditor. The National Public Auditor will make the final determination of which proposal is the most advantageous to the Government of the Federated States of Micronesia.

All entities submitting proposals will be promptly notified of the determination of the National Public Auditor. Proposals will become the property of the Government of the Federated States of Micronesia and will not be returned.

## **XI. CONTRACT REQUIREMENTS**

**The auditor(s) shall:**

- a. Perform the services as described in the auditor's proposal for the quarterly audits of the US Department of Interior (Compact) Cash Receipts and Expenditures for the three quarters ending December 31, 2008, March 31, 2009, and June 30, 2009, which will be incorporated as an attachment to the resulting contract, to the satisfaction of the National Public Auditor.**
- b. Provide five copies of the draft report and up to 40 copies of the final report to the National Public Auditor. In addition, one electronic copy (in pdf. format) will be submitted to the National Public Auditor for publication of the report on [www.fsmopa.fm](http://www.fsmopa.fm).**
- c. Provide 5 copies of engagement letter along with listing of required reports and documents for the entrance conference.**
- d. Provide 5 copies of draft report for the exit conference.**
- e. Retain audit work papers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the National Public Auditor or his designee to extend the retention period. Audit work papers shall be made available upon request of the National Public Auditor or his designee.**
- f. Provide the National Public Auditor or his designee with access to review the Audit Plan, Materiality and Risk Assessment, and sampling Plan for the financial audit of the Project.**
- g. Provide the National Public Auditor or his designee with access to the audit working papers for review along with the preliminary audit reports prior to conducting the exit conference.**
- h. Obtain all necessary licenses and permits to conduct business while auditing within the Federated States of Micronesia. The Office of the National Public Auditor will provide assistance in obtaining a foreign investment permit, if necessary.**
- i. If, during the course of the audits, the auditor uncovers indications of possible fraud or other situations that need to be brought to the attention of the government, they shall immediately notify the National Public Auditor in writing. The auditor shall perform sufficient fieldwork to be able to clearly describe and document the situation.**

- j. The awarded proposer guarantees that the service will be completed within the agreed upon completion date. If, however, the proposer cannot comply with the completion requirement, it is the proposer's responsibility to advise the National Public Auditor in writing explaining the cause and reasons of the delay. The National Public Auditor may make a reasonable extension of time.

## **XII. CONTACT PERSON**

The contact person is:

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