

**Request for Proposal for  
Audit Services for the  
Pennsylvania Housing Finance Agency  
211 North Front Street  
Harrisburg, Pennsylvania 17101**

**January 09, 2012**

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**Purpose**

The Pennsylvania Housing Finance Agency (“Agency”) is issuing a Request for Proposal (“RFP”) to obtain the services of a “Big 4” auditing firm (“firm”) to conduct financial audits of its basic financial statements for the fiscal years ending June 30, 2012, 2013, 2014 and 2015.

**Information Regarding Proposals**

The Agency will accept sealed proposals until February 29, 2012. Proposals should be delivered to the Pennsylvania Housing Finance Agency; Attention Larry Jackson, 211 North Front Street, Harrisburg, PA 17101. E-mail submissions are not acceptable. All proposals and related material will become the property of the Agency with no further obligation on the Agency’s part. Detailed instructions and specifications for this invitation to propose are provided in this RFP, which may be revised, amended or supplemented prior to contract finalization. The Agency reserves the right to negotiate directly with the final selected firms to ensure the engagement of an entity and the development of a scope of services qualified to meet its needs and objectives.

**Pre-submission Conference**

A pre-submission teleconference is being held on February 15, 2012 to address questions in advance of the submission deadline at 1:45 P.M. Interested prospective firms should contact [ljackson@phfa.org](mailto:ljackson@phfa.org) by February 08, 2012 to submit questions. Dial-in instructions will be electronically returned to respondents prior to the teleconference. Follow-up questions may be submitted at the teleconference. Questions that require research will be e-mailed to all firms.

**No Liability**

The Agency is not liable for any cost incurred by any firm to respond to this RFP. All information submitted to the Agency will become the property of the Agency, subject to public disclosure.

## **Services Desired and General Information**

### **Annual Financial Audits**

1. The Agency is seeking a qualified firm to conduct an annual audit of the Agency's basic financial statements for the fiscal years indicated. The selected firm must deliver a final audit report on or before September 30 of each engagement year. The Commonwealth of Pennsylvania may mandate earlier delivery dates during the term of the engagement.
2. The Agency requires a Single Audit Report of its federal program delivered by December 20 of each engagement year.
3. The Agency is a GNMA MBS Issuer and requires a program audit in compliance with Ginnie Mae Issuers of Mortgage-Backed Securities Audit Guide.

NOTE: A separate public accounting firm will audit the Homeowners' Emergency Mortgage Assistance Program that will be incorporated into the basic financial statements.

The Agency intends to contract for the preceding services on a fixed price basis for each of the fiscal years covered.

### **Communications and Presentations**

The selected firm will be required to present their audit plan to the Audit Committee prior to each engagement year. The selected firm will be required to report to the Audit Committee and Members of the Board with required communications at the conclusion of each engagement year. The selected firm may be responsible to provide supplemental information to the Audit Committee or Members of the Board throughout the year.

### **Professional Guidance**

The selected firm will provide prompt professional guidance with accounting matters and new accounting pronouncement implementation throughout each engagement year, as requested. The selected firm will also be asked to provide professional literature including financial statement and GAAP checklists applicable for local governments, GASB statement copies and copies of other authoritative guidance or pronouncements.

### **Type of Engagement**

An engagement contract will be the selected firm's engagement letter, which will list the terms and understanding of the services to be provided between the selected firm and the Agency. The Agency reserves the right not to engage selected firms that do not submit engagement letters acceptable to the Agency. The term of the engagement will be four (4) one-year renewable terms, beginning July 1, 2012. The Agency reserves the right not to renew and may elect to terminate the engagement for services in the event deadlines or professional standards set forth in the engagement for services are not met or significant changes in the professional qualifications of the engagement team occur. The selected firm will be required to assume responsibility for all services offered in the submitted proposal.

### **Agency Participation**

The Agency will prepare the basic financial statements, notes and required supplemental information. All supporting information requested by the selected firm will be made available at the Harrisburg headquarters. Individuals will be available to substantiate the operations of their specific work areas, answer questions and prepare reports as requested.

### **Deliverable Formats**

The engagement for service will require that all audit deliverables be provided to the Agency in both bound hard copy and electronic formats.

### **The Agency's Accounting System**

The Agency's accounting system is maintained on the mainframe computer located in Harrisburg, PA and serviced by a team of Information Technology professionals.

### **Basic Financial Reports**

Financial reports and other information can be accessed from our website <http://www.phfa.org/about/reports/financialreports.aspx>

### **Access to Work Papers**

Authorized personnel from the Pennsylvania Auditor General, Governor's Office of Budget, Bureau of Financial Management and other Commonwealth or federal agencies may require access to examine work papers.

### **Revisions to Audit Work**

If the selected firm fails to meet the standards and conditions in the engagement for services, because it did not meet auditing standards generally accepted in the United States, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States or any other auditing standard, the firm may, at the request of the Agency, be required to perform re-audit work at its own expense and resubmit revised audit reports.

### **Additional Work**

As part of primary deliverables, the firm will perform such follow-up and additional formatting, reporting and analysis that may result from the engagement that may be necessary to satisfy Commonwealth and federal reporting requirements.

### **Communication with Internal Audit**

The selected firm agrees to notify Internal Audit immediately of any deficient internal control matters, proposed adjusting journal entries and other concerns about the operation of the Agency.

### **Communications with the Commonwealth**

The selected firm agrees to provide the Commonwealth with any preliminary requests for information in order to facilitate completion of their Comprehensive Annual Financial Report.

### **Ownership of Audited Basic Financial Statements**

Pursuant to auditing standards generally accepted in the United States of America, the independent auditor is presumed not to be associated with financial statements included in an offering statement. AICPA audit and accounting guide, *State and Local Governments*, 16.06. The Agency extends this policy, per GFOA recommendation, to our website and annual reports.

### **Legal Representation**

Legal staff, located at out Harrisburg, PA headquarters, affiliated with the Governor's Office of General Counsel, represent the Agency.

## **Proposal Instructions**

The proposal shall be organized into four sections:

### **A. Price for Services**

Each firm must state a guaranteed, not-to-exceed, all-inclusive price for each year requested by this RFP.

### **B. Professional Personnel**

State the proposed engagement team's experience in auditing Housing Finance Agencies, public authorities comparable with the Agency's net asset values or financial complexity and government auditing experience. Experience should be identified for each professional who will perform services under this contract. List the professional licenses or certifications for each engagement team member that will perform services under this contract.

### **C. Firm's Representation**

1. Indicate any pending litigation and/or regulatory action by an oversight body, including, but not limited to the FDIC, SEC, PCAOB, IRS, Stockholder's Group and Trustee or any other person(s) or entity that could have an adverse material impact on the firm's ability to perform the audit. State whether any oversight body subjected your firm to any disciplinary action within the past 3 years.
2. Firms must certify that there is no known conflict of interest, no impediment to their provision of all services and that they are fully compliant with all provisions of the Commonwealth of Pennsylvania Contractor Integrity Statement attached. Firms must certify that they have not and will not discuss their proposal with any other firms or with the media.
3. Provide a statement describing the firm's professional liability coverage, including coverage levels, exclusions and insurance carrier and indicate how many years such policy has been in effect.

### **D. Authorized Signature**

Provide the signature and title of an officer or principal of your organization authorized to bind the firm to the provisions of the proposal for a period of at least 90 days.

## **Criteria for Selection**

The Agency seeks to engage a cost efficient firm with the ability of the engagement team to meet the terms of this RFP. This refers to the experience of professional personnel who will be assigned to the engagement team for all engagement years. Qualifications of professional personnel will be measured by the experience in auditing Housing Finance Agencies, public authorities and state and local governments.

## COMMONWEALTH CONTRACTING PROVISIONS

### ARTICLE I CONTRACTOR INTEGRITY

Definitions for this section are as follows, as applicable:

1. Commonwealth means the Commonwealth of Pennsylvania.
2. Confidential information means information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the Commonwealth and/or Agency.
3. Consent means written permission signed by a duly authorized officer or employee of the Commonwealth and/or Agency, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the Commonwealth and/or Agency shall be deemed to have consented by virtue of execution of this Contract.
4. Contractor means the individual or entity that has entered into this Contract with the Agency, including directors, officers, partners, managers, key employees, and owners of more than five percent (5%) interest.
5. Financial interest means ownership of more than a five percent (5%) interest in any business or holding a position as an officer, director, trustee, partner, employee, or the like, or holding any position of management.
6. Gratuity means any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.
7. Immediate family means a spouse and any unemancipated child.
8. Political contribution means any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance or deposit of money or any valuable thing, to a candidate for public office or to a political committee, including but not limited to a political action committee, made for the purpose of influencing any election in the Commonwealth or for paying debts incurred by or for a candidate or committee before or after any election.
9. Contractor shall maintain the highest standards of integrity in the performance of this Contract and shall take no action in violation of state or federal laws, regulations, or other requirements that govern contracting with the Commonwealth and/or Agency.
10. Contractor shall establish and implement a written business integrity policy, which includes, at a minimum, the requirements of these provisions as they relate to Contractor employee activity with the Commonwealth and Commonwealth employees, and which is distributed and made known to all Contractor employees.
11. Contractor, its affiliates, agents and employees shall not influence, or attempt to influence, any Commonwealth employee to breach the standards of ethical conduct for Commonwealth employees set forth in the *Public Official and Employees Ethics Act*, 65 Pa.C.S. §§ 1101 et seq.; the State Adverse Interest Act, 71 P.S. § 776.1 et seq.; and the Governor's Code of

Conduct, Executive Order 1980-18, 4 Pa. Code § 7.151 et seq., or to breach any other state or federal law or regulation.

12. Contractor shall not disclose to others any confidential information gained by virtue of this Contract.
13. Contractor shall not, in connection with this or any other Contract with the Commonwealth and/or Agency, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the Commonwealth and/or Agency.
14. Contractor shall not, in connection with this or any other Contract with the Commonwealth and/or Agency, directly or indirectly offer, give, or agree or promise to give to anyone any gratuity for the benefit of or at the direction or request of any officer or employee of the Commonwealth and/or Agency.
15. Except with the consent of the Commonwealth and/or Agency, neither Contractor nor anyone in privity with it shall accept or agree to accept from, or give or agree to give to, any person, any gratuity from any person in connection with the performance of work under this Contract except as provided therein.
16. Except with the consent of the Agency, Contractor shall not have a financial interest in any other contractor, subcontractor or supplier providing services, labor or material on this Project, unless the financial interest is disclosed to the Agency in writing and the Agency consents to Contractor's financial interest prior to the Agency execution of the contract. Contractor shall disclose the financial interest to the Agency at the time of bid or proposal submission, or if no bids or proposals are solicited, no later than Contractor's submission of the executed contract.
17. Contractor, its affiliates, agents and employees shall not disclose to others any information, documents, reports, data, or records provided to, or prepared by, Contractor under this Contract without the prior written approval of the Commonwealth and/or Agency, except as required by the *Pennsylvania Right-to-Know Law*, 65 P.S. §§ 67.101-3104, or other applicable law or as otherwise provided in this Contract. Any information, documents, reports, data, or records secured by Contractor from the Commonwealth or a third party in connection with the performance of this Contract shall be kept confidential unless disclosure of such information is:
  - a. Approved in writing by the Commonwealth and/or Agency prior to its disclosure; or
  - b. Directed by a court or other tribunal of competent jurisdiction unless the Contract requires prior Commonwealth approval; or
  - c. Required for compliance with federal or state securities laws or the requirements of national securities exchanges; or
  - d. Necessary for purposes of Contractor's internal assessment and review; or
  - e. Deemed necessary by Contractor in any action to enforce the provisions of this Contract or to defend or prosecute claims by or against parties other than the Commonwealth and/or Agency; or

- f. Permitted by the valid authorization of a third party to whom the information, documents, reports, data, or records pertain: or
  - g. Otherwise required by law.
18. Contractor certifies that neither it nor any of its officers, directors, associates, partners, limited partners or individual owners has not been officially notified of, charged with, or convicted of any of the following and agrees to immediately notify the Agency in writing if and when it or any officer, director, associate, partner, limited partner or individual owner has been officially notified of, charged with, convicted of, or officially notified of a governmental determination of any of the following:
- a. Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.
  - b. Commission of fraud or a criminal offense or other improper conduct or knowledge of, approval of or acquiescence in such activities by Contractor or any affiliate, officer, director, associate, partner, limited partner, individual owner, or employee or other individual or entity associated with:
    - 1. obtaining;
    - 2. attempting to obtain; or
    - 3. performing a public contract or subcontract.

Contractor's acceptance of the benefits derived from the conduct shall be deemed evidence of such knowledge, approval or acquiescence.
  - c. Violation of any federal or state antitrust statutes.
  - d. Violation of any federal or state law regulating campaign contributions.
  - e. Violation of any federal or state environmental law.
  - f. Violation of any federal or state law regulating hours of labor, minimum wage standards or prevailing wage standards; discrimination in wages; or child labor violations.
  - g. Violation of the Act of June 2, 1915 (P.L. 736, No. 338), known as the Workers' Compensation Act, 77 P.S. 1 et seq.
  - h. Violation of any federal or state law prohibiting discrimination in employment.
  - i. Debarment by any agency or department of the federal government or by any other state.
  - j. Any other crime involving moral turpitude or business honesty or integrity.
  - k. Contractor acknowledges that the Agency may, in its sole discretion, terminate the Contract for cause upon such notification or when the Agency otherwise learns that Contractor has been officially notified, charged, or convicted.
19. Contractor shall comply with requirements of the *Lobbying Disclosure Act*, 65 Pa. C.S. § 13A01 et seq., and the regulations promulgated pursuant to that law.
20. When Contractor has reason to believe that any breach of ethical standards as set forth in law, the Governor's Code of Conduct, or in these provisions has occurred or may occur, shall

immediately notify the Agency's Chief Counsel and the Commonwealth Inspector General in writing.

21. Contractor, upon being informed that any violation of these provisions has occurred or may occur, shall immediately notify Agency in writing.
22. Contractor, by execution of this Contract and by the submission of any bills or invoices for payment pursuant thereto, certifies and represents that it has not violated any of these provisions.
23. Contractor shall, upon request of the Office of State Inspector General and/or Agency, reasonably and promptly make available to that office and its representatives, for inspection and copying, all business and financial records of Contractor of, concerning, and referring to this Contract, or which are otherwise relevant to the enforcement of these provisions.
24. If applicable, Contractor shall immediately notify the Agency of any security breach, which may involve confidential consumer information.

For violation of any of the above provisions, the Commonwealth and/or Agency may terminate this and any other Contract with Contractor, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another facility to complete performance hereunder, and debar and suspend the Contractor from doing business with the Agency and/or the Commonwealth. These rights and remedies are cumulative, and the use or nonuse of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Agency and/or the Commonwealth may have under law, statute, regulation or otherwise.

## **ARTICLE II** **INSURANCE AND LIABILITY**

It is understood and agreed that Contractor's standard liability insurance policies shall protect, or shall be endorsed to protect, the Agency, for the term of this Contract, from claims of bodily injury and/or property damage arising out of any activities performed by Contractor or its employees or agents under this Contract, including business and non-business invitees, and their property and all other property sustaining damage as a direct result of the execution of this project when validly present on Contractor premises, whether or not actually engaged in the Project at the time the claim inures, if and as this protection may be applicable to the Project. Such policies shall not include any provision limiting then existing sovereign immunity rights of the Agency and/or the Commonwealth. Upon request, Contractor shall furnish to the Agency proof of insurance as may be required by this paragraph.

Contractor shall provide workmen's compensation insurance where the same is required and shall accept full responsibility for the payment of premiums for workmen's compensation and social security and any other taxes or payroll deductions required by law for its employees who are performing activities specified by this Contract.

**ARTICLE III**  
**INDEMNIFICATION**

The Contractor shall indemnify and hold the Agency and the Commonwealth, harmless from any and all claims, demands, and actions based or arising out of the negligence or willful misconduct of its employees, agents or subcontractors under this Contract and shall defend any and all actions brought against the Agency or the Commonwealth based upon such claims or demands.

**ARTICLE IV**  
**CONTRACTOR'S RESPONSIBILITY**

1. Contractor certifies that it is not currently under suspension or debarment by the Commonwealth, any other state, or the federal government, and if the Contractor cannot so certify, then it agrees to submit along with the bid/proposal a written explanation of why such certification cannot be made.
2. Contractor certifies that it has no tax liabilities or other outstanding Commonwealth debts. Contractor's obligations pursuant to these provisions are ongoing from and after the effective date of this Contract through the termination date hereof. Contractor shall inform the Agency if, at any time during the term of this Contract, it becomes delinquent in the payment of taxes, or other Commonwealth debts, or if it or any of its subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. Such notification shall be made within 15 days of the date of suspension or debarment. The failure of the Contractor to notify the Agency of its suspension or debarment by the Commonwealth, any other state, or the federal government shall constitute an event of default of this Contract.
3. Contractor agrees that the Commonwealth and/or the Agency may offset the amount of any state tax, Agency or Commonwealth debt of the Contractor or its affiliates and subsidiaries that is owed to the Commonwealth and/or Agency against any payments due under this or any other Contract with the Commonwealth and/or the Agency.
4. If Contractor enters into subcontracts or employs under this Contract any subcontractors/individuals who are currently suspended or debarred by the Commonwealth or the federal government or who become suspended or debarred by the Commonwealth or federal government during the term of this Contract or any extensions or renewals thereof, the Commonwealth shall have the right to require the Contractor to terminate such subcontracts or employment.
5. Contractor agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of Inspector General for investigations of Contractor's compliance with the terms of this or any other Contract between Contractor and the Commonwealth which result in the suspension or debarment of Contractor. Such costs shall include, but not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. Contractor shall not be responsible for investigative costs for investigations which do not result in Contractor's suspension or debarment.

6. Contractor may obtain the current list of suspended and debarred contractors by contacting the: Department of General Services, Office of Chief Counsel, 603 North Office Building Harrisburg, Pennsylvania 17125; Phone: (717) 783-6472 and Fax: (717) 787-9138.

**ARTICLE V**  
**NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE**

During the term of this Contract, Contractor agrees as follows:

1. Contractor shall not discriminate against nor intimidate any employee, applicant for employment, independent contractor, or any other person for the manufacture of supplies, performance of work, or any other activity, under this Contract or subcontract, because of race, color, religious creed, ancestry, handicap, national origin, age, or gender. Contractor shall take affirmative action to insure that applicants are employed, and that employees or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age, or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Contractor shall post in conspicuous places, that are available to employees, agents, applicants for employment, and other persons, a notice setting forth the provisions of this nondiscrimination clause.
2. Contractor shall, in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, ancestry, national origin, age, or sex.
3. Contractor shall send each labor union or workers' representatives with which it has a collective bargaining contract or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by Contractor.
4. Contractor and any subcontractors shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.
5. It shall be no defense to a finding of noncompliance with this Nondiscrimination/Sexual Harassment Clause that Contractor had delegated some of its employment practices to any union, training program, or other source of recruitment which prevents it from meeting its obligations. However, if the evidence indicates that the Contractor was not on notice of the third-party discrimination or made a good faith effort to correct it, such factors shall be considered in mitigation in determining appropriate sanctions.
6. Where the practices of a union or any training program or other source of recruitment will result in the exclusion of minority persons, so that Contractor will be unable to meet its obligations under this nondiscrimination clause, Contractor shall then employ and fill vacancies through other nondiscriminatory employment procedures.
7. Contractor shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. In the event of Contractor's noncompliance with the Nondiscrimination/ Sexual Harassment Clause of this Contract or with any such laws, this

Contract may be terminated or suspended, in whole or in part, and all money due or to become due under this Contract may be forfeited. In addition, Contractor may be declared temporarily ineligible for further Agency or Commonwealth contracts and the Agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File and other sanctions may be imposed and remedies invoked.

8. Contractor shall furnish all necessary employment documents and records to, and permit access to its books, records, and accounts by the Agency and the Department of General Services' Bureau of Contract Administration and Business Development for purposes of investigation to ascertain compliance with the provisions of this Nondiscrimination/Sexual Harassment clause. If Contractor does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the Department of General Services' Bureau of Contract Administration and Business Development.
9. Contractor shall actively recruit minority and women subcontractors or subcontractors with substantial minority representation among their employees.
10. Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment clause in every subcontract, so that such provisions will be binding upon each subcontractor.
11. Contractor's obligations under this clause are limited to Contractor's facilities within Pennsylvania or, where the contract is for purchase of goods manufactured outside of Pennsylvania, the facilities at which such goods are actually produced.

#### **ARTICLE VI** **AMERICANS WITH DISABILITIES ACT**

Pursuant to federal regulations promulgated under the authority of *The Americans With Disabilities Act*, 28 C.F.R. § 35.101 et seq., the Contractor understands and agrees that no individual with a disability shall, on the basis of the disability, be excluded from participation in this Contract or from activities provided for under this Contract. As a condition of accepting and executing **this** Contract, the Contractor agrees to comply with the "*General Prohibitions Against Discrimination*," 28 C.F. R. § 35.130, and all other regulations promulgated under Title II of *The Americans With Disabilities Act* which are applicable to the benefits, services, programs, and activities provided by the Commonwealth and the Agency through contracts with outside contractors.

#### **ARTICLE VII** **RIGHT TO KNOW LAW**

Contractor understands that this Contract and records related to or arising out of the Contract are subject to requests made pursuant to the Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, ("RTKL"). The Contractor is required to adhere to the following requirements:

1. Contractor shall notify the Agency in writing of any change in the name or the contact information within a reasonable time prior to the change.

2. If the Contractor fails to provide access to, and copies of the requested information to the Agency, within the period specified by the Agency, the failure shall be considered an event of default and the Contractor shall pay, indemnify and hold the Agency harmless for any damages, penalties, detriment or harm that the Agency may incur as a result of the Contractor's failure to produce the requested information.
3. Contractor agrees not to challenge the Agency's decision to deem the requested information a Public Record as defined by the RTKL, or in any way hold the Agency liable for such a decision. However, if the Contractor believes the requested information to be a Trade Secret as defined by the RTKL, then the Contractor will provide a statement signed by a representative of the Contractor explaining why the requested material is exempt from public disclosure under the RTKL within the timeframe prescribed by the Agency. The Agency's determination as to whether the requested information is a Public Record is dispositive of the question as between the parties to this Contract.