

BOARD OF LIQUIDATION, CITY DEBT
1300 PERDIDO STREET, ROOM 8E-17
NEW ORLEANS, LOUISIANA 70112

SOLICITATION FOR PROPOSALS (SFPs)

DATE: November 30, 2011

TO: INTERESTED INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (ICPAs)

The Board of Liquidation, City Debt (Board) is soliciting proposals for audit and other services (see section entitled “Nature of Services Required”).

Proposals must be submitted in the following manner:

2 printed copies and 1 electronic version of the completed proposal with length not to exceed 10 pages must be submitted no later than 4PM CDT, Wednesday, December 14, 2011, to:

David W. Gernhauser
Secretary
Board of Liquidation, City Debt
1300 Perdido Street, Rm 8E-17
New Orleans, Louisiana 70112

Fax and emailed copies will be accepted if immediately followed by an original.

Fax 504.658.1411
Email david.gernhauser@boardofliquidation.com
Website www.boardofliquidation.com

Proposals should be organized and submitted in strict accordance with the format provided by the “Response to the Solicitation for Proposals” (see attached) as applicable. The Board reserves the right to refuse to consider any proposals that are not submitted in this format or incomplete.

Proposals will be evaluated for both technical and cost factors. The technical factors considered in the selection process include the ICPA’s experience in performing governmental audits, size and structure of the firm, qualifications of the staff, and approach for planning and conducting audits.

BACKGROUND

The Board was created by the Louisiana Legislature in 1880, and made a “body corporate,” separate and distinct from the City of New Orleans in 1890. The Board has exclusive control and direction of all matters related to the issuance and repayment of the City’s general obligation bonds. Because the Board exists, the repayment of New Orleans’s general obligation bonds is separated and excluded from the City’s operating budget, and a dedicated source and security for the payment of the City’s general obligation bonds is maintained. All *ad valorem* taxes levied by

the City for the payment of its general obligation bonds are transferred to the Board. These property tax receipts must be applied exclusively to the payment of debt service on the City's outstanding general obligation bonds and cannot be applied to pay the City's operating expenses or for any other purpose. The Board has never defaulted in the payment of the City's general obligation bonds.

The Board also serves as custodian for special tax accounts and outstanding bonds for the Sewerage & Water Board of New Orleans; Audubon Park Commission; and Downtown Development District of New Orleans. The Board also services and administers the issuance and repayment of Revenue Bonds of the Sewerage & Water Board of New Orleans.

MINORITY AND WOMEN BUSINESS ENTERPRISE PARTICIPATION (M/WBE)

The firm's inclusion of minority and women participation, including the firm's employees and/or any participation with a minority or women-owned firm (M/WBE) is encouraged.

1. All bidders shall make a good faith effort to ensure the full and equitable participation by minority businesses.
2. "Minority business" is defined by statute and includes businesses owned by ethnic minorities, women, and socially and economically disadvantaged individuals.
3. The information shall be submitted with the proposal and shall include: name, address, telephone number of each M/WBE along with the description of the work to be performed by each M/WBE.

SCOPE OF AUDITS

The audit will encompass all funds under the control of the Board. There will be no limitations on the scope of the audit.

CONTRACT PERIOD

One engagement contract will be awarded for the contract period of three fiscal years: the fiscal years ending December 31, 2012 thru December 31, 2014. The Board reserves the right to cancel the audit contract at any time.

NATURE OF SERVICES REQUIRED

In addition to the audit service, which is detailed below, the Board also requires the ICPAs to perform the following services:

1. Verification of the Board's Millage Levy calculation in November of each year.
2. Monthly audit to confirm cash receipts and disbursements, monthly deposit report and bank reconciliations.
3. A year-end compilation of the Simon Hershheim Memorial Trust Fund.
4. Verification of the Matured and Unpaid Coupons Report.

The audit must be performed in accordance with:

1. Generally accepted auditing standards, promulgated by the Auditing Standards Boards of the American Institute of Certified Public Accountants.
2. The standards contained in Governmental Auditing Standards, issued by the Comptroller General of the United States

In conjunction with the previously mentioned standards, the ICPAs should:

1. Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements caused by errors, irregularities or illegal acts.
2. Examine sufficient evidential matter to support the opinions and comments expressed within the auditor's reports.
3. Assess the accounting principals used and significant estimates made by management as well as evaluating the overall financial statement presentation.
4. Include an assessment of the risk that errors and irregularities may cause the financial statements to contain a material misstatement and consider illegal acts that could have a direct material effect on the financial statements, to the extent required by the previously mentioned standards, and based on the assessment, design tests to detect such matters.
5. To the extent required by the previously mentioned standard and any applicable state law, any errors, irregularities, or illegal acts detected during the audits shall be included in the respective audit report. In addition, the errors, irregularities, or illegal acts should be brought to the attention of both the Secretary and the President of the Board.
6. Convey to the Secretary of the Board, as appropriate, those matters observed relating to opportunities for economies of operation or other matters that should be brought to the Board's attention.

REPORTS TO BE ISSUED

The reports to be issued are as followed:

1. Report expressing an opinion, or disclaimer, as to the fair presentation of the Board's financial statements included in the report.
2. Reports required by Government Auditing Standards:
 - Report of internal control structure based solely on an audit of the Board's financial statements.
 - Report on compliance with laws and regulations material to the Board's financial statements.
3. Management letter detailing matters not significant or material in relation to the required reports, including suggestions to improve operating efficiency and other ideas that would benefit the Board.

As required in the Government Auditing Standard, the internal control structure reports shall include all reportable conditions identifying any material weakness discovered during the respective audit. Reportable conditions, unlike material weakness, are not limited to situations

where possible errors or irregularities could be in amounts that would be material in relation to the financial statements. Only non reportable conditions, if any, shall be included in the management letter to the Board, and as required by the standards shall be referred to in the appropriate internal structure reports.

Furthermore, as required by Government Auditing Standards, the reports on compliance with laws and regulations shall include all material instances on non compliance and all instances or indications of illegal acts which could result in criminal prosecution. Only non material instances of non compliance if any shall be included in a management letter, and as required by the standards, shall be referred to in the appropriate reports on compliance.

In reporting reportable conditions and material non compliance, the findings shall follow the appropriate content standards for objectives, scope and methodology, audit results and view of the Secretary of the Board and the report presentation standards discussed in Chapter 7 of Government Auditing Standards. In addition, findings of material non compliance and when appropriate reportable conditions shall be placed in proper perspective identifying:

- The size of the universe in number of items and dollars,
- The number and dollar amount of transactions tested, and
- The number and corresponding dollar amount of reportable conditions and or instances of non compliance.

REPORT DISTRIBUTION

At the conclusion of the audit, the ICPAs will immediately send: One (1) hard copy and one (1) electronic copy to the Board.

CONTRACT COMPLIANCE

Timeliness will be considered in the awarding of engagement and/or continuation of any engagement contracts. Failure to complete contracted audit work within the time periods specified in the contract will result in the firm's elimination from the SFP process as a non-responsive proposer.

EVALUATION

Proposals will be evaluated by the Secretary and President of the Board in a two step process. The first step involves performing technical evaluations and based solely on those evaluations, a top group of proposers will be selected. The second step involves the awarding of the engagement contract. Once the Secretary and President are satisfied with the top group of proposers, the pricing envelopes from the top group will be opened. They will award the contract to the ICPAs submitting the lowest price for the audit services, subject to the following:

- If there is a reason to believe that an unreasonably low proposal has been submitted, the Secretary and the President of the Board may reject the proposal on the basis that the ICPAs is not independent with respect to the Board.

- The Secretary and the President of the Board may award the contract to other than the ICPAs submitting the lowest price if it determines that there are compelling reasons to do so.

AUDIT WORKING PAPERS

Working papers and all correspondence relating to the audits shall be retained for a period of three (3) years from the dates of the audit reports. All of the working papers shall be available for inspection by any successor or principal auditor, the applicable State Board of CPA's, or any other agency recognized within the Board's State to provide a quality assurance function. All of the working papers will be provided by the predecessor auditor to the successor auditor. Copies will be provided at a cost of no more than \$.20 per copy, with no further fees assessed.

Any predecessor auditor that fails to make working papers available for successor auditor inspection and copying under governmental accounting rules shall be prohibited from participating in the SFP process.

If extraordinary or unusual circumstances are encountered which make it necessary for the ICPAs to perform added work beyond the scope originally anticipated, the ICPAs shall immediately report such condition in writing to the Board. The ICPAs must provide an estimate of the number of additional audit hours and resulting audit fee. The Board will consider the nature of the additional work and the related cost and will determine whether to amend the engagement contract.

Respectfully,

David W. Gernhauser
Secretary of the Board

RESPONSE TO THE SOLICITATION FOR PROPOSAL

In order to simplify the review process and to obtain the maximum degree of comparability, proposals must be organized and submitted in strict accordance with the following format. The Board reserves the right to refuse to consider proposals that are not submitted in this format.

COVER PAGE

The cover page should be titled *PROPOSAL FOR THE BOARD OF LIQUIDATION, CITY DEBT (BOARD)*.

The following information should be included under the title:

1. Name of the proposer's firm
2. Proposer's address
3. Proposer's telephone and fax number
4. Proposer's federal tax identification number
5. Name of contact person authorized to act on behalf of the firm
6. Email address for the contact person
7. Type of engagement
8. Contract period

INTRODUCTION

The transmittal letter or introduction should:

1. Include a list of firms participating in the engagement and include the percentage of work performed by each firm (the confirmations in the Introduction section and all of the information in the Professional Capacity of Firm section should be completed and included in the proposal for all participating firms).
2. Contain a brief statement of the proposer's understanding of the scope of the work to be performed.
3. Include a confirmation that the proposer meets the appropriate state licensing requirements to practice public accounting in the State of Louisiana.
4. Include a confirmation that the proposer meets the applicable independence standards relating to the Board.
5. Include a confirmation that the proposer has not had a record of substandard audit work within the past five years.
6. Include a confirmation that the proposer has not engaged in any unethical practices within the past five years.

7. Include a confirmation that the proposer has complied with applicable requirements for peer review and continuing professional education.
8. Include, if applicable, a certification that the proposer is a minority or disadvantage firm or is submitting the proposal under an agreement with a minority or disadvantaged firm to jointly conduct the engagement.
9. Include a confirmation that the proposer shall not discriminate on the basis of race, color, religion, sex, national origin, veteran status, political affiliation, disability, sexual orientation, or any other non-merit factor in matters relating to employment.
10. Include a confirmation that the proposer has procured appropriate professional liability insurance; and if awarded the contract, will maintain this insurance in full force and effect during the term of the contract; and will provide a true and correct copy of the required policy, together with all endorsements, riders or other additions or attachments to the policy which in any manner limit or restrict coverage to the Board within ten days of the date of execution of the contract.
11. Include any other information that the proposer feels appropriate.
12. Be signed by an individual who is authorized to make proposals of this nature in the name of the firm submitting the proposal.

FIRM DESCRIPTION

Give a brief description of the proposing firm, detailing firm capacity, number and location of offices, et cetera, and if applicable, include a similar description of the office performing the engagement.

PROFESSIONAL CAPACITY OF FIRM

1. Using the format specified below, provide data on the make-up of the professional **audit** staff of the office performing the engagement.

<u>Category</u>	<u>Total Number</u>	<u>Number of CPAs</u>	<u>Percentage of CPAs</u>
Partners	_____	_____	_____
Managers	_____	_____	_____
Supervisors	_____	_____	_____
Seniors	_____	_____	_____
Other Audit Staff	_____	_____	_____
Total Prof. Audit Staff	_____	_____	_____
	=====	=====	=====

2. List audit or review/attestation engagements of **governmental entities** located in Louisiana that have been **completed** over the **past three years** by the proposing firm. The list should be classified by type of engagement (audit or review/attestation). Denote which of the engagements listed are similar to the agency soliciting proposals. The proposing firm should explain why an engagement of an agency is similar to the one for which a proposal is submitted, unless the similarity is clear. For example, an audit of a city is not clearly similar to an audit of a port commission; however, the city operations may include a port and such should be clearly explained in the proposal. Please use the following format for each type of engagement.

Governmental Unit	Period Ended	Name & Phone Number of Agency Contact Person

3. Identify the professional organizations to which the firm belongs.
4. Indicate whether the firm is local, regional, national, or international firm.
5. Provide a statement as to whether or not any disciplinary action has been taken against the proposing firm’s Louisiana based operations, in the past five years, by the American Institute of Certified Public Accountants and/or any state board of accountancy, state or federal grantor, state auditor, state society of certified public accountants, or any other regulatory body. If action has been undertaken, discuss its current status and provide appropriate details of the circumstances.
6. State whether, during the past 10 years, any partner, owner, manager, or principal officer (including any staff members being proposed for the engagement) of the proposing firm’s Louisiana based operations has been convicted of a felony; has pleaded nolo contendere to a felony charge; has been held liable in a civil action by final judgment involving a violation of any federal, state, or local law relating to the performance of a service contract; has settled a claim of nonperformance asserted by a proposing firm’s client; or has settled a claim relating to a service contract asserted by a regulatory body. If any such action has occurred, the proposing firm shall set forth the name of the person convicted or against whom a judgment or settlement was entered; the court or other forum and date of conviction, judgment, or settlement; the penalty or damages assessed in connection therewith and/or the terms of settlement. If no such actions have occurred, the proposing firm shall include a statement to that effect.
7. State whether any partner, owner, manager, or principal officer (including any staff members being proposed for the engagement) of the proposing firm’s Louisiana based operations is subject to any currently effective injunctive or restrictive order or decree relating to the performance of a service contract. If any such action has occurred, the proposing firm shall set forth the name of the person; the parties involved and the court; a summary of the allegations or facts found by the court; and the date, nature, terms and conditions of the order

or decree. If no such actions have occurred, the proposing firm shall include a statement to that effect.

8. Describe the services that the proposing firm has provided or is providing to the agency being proposed upon over the past three years, or state that no such services were provided. The description should include the time frame during which the services were provided and the related compensation received.
9. Describe any political activity, over the past three years, by the proposing firm and/or its partners, in any campaign for public office by any member of management or of the board/commission of the agency being proposed upon, or include a statement that neither the firm nor its partners have been involved in such political activity. Such political activity includes, but is not limited to, monetary contributions; serving as a member of a campaign or fund raising team (president, treasurer, et cetera); and publishing or signing campaign literature.

ENGAGEMENT TEAM

Identify the supervisory personnel who will be assigned to the engagement. Resumes for each partner, manager, supervisor, and senior must be included. The resumes must include the specified governmental engagements that he/she has participated in as well as the position he/she served on the engagement team. In addition, using the format below, the resumes must identify the continuing education courses, and the related credit hours, relative to governmental accounting and auditing that he/she has attended during both the current and the prior (separately identified) reporting periods as defined by *Government Auditing Standards*. We acknowledge that reporting periods may differ based on when he/she began his/her governmental practice; however, two reporting periods should be provided.

	Course Name	Credit Hours
Two years ending December 31, 2010	_____	_____
	_____	_____
Two years ended December 31, 2008	_____	_____
	_____	_____

CONTRACT PERIOD AND TIMELINESS

The proposal should specifically identify the contract period and the separate engagements required. For example, "... we are proposing on the contract period ending June 30, 2015, which includes separate audits as of and for each of the years ending December 31, 2012; December 31, 2013; December 31, 2014."

The proposal should specify, for each engagement, the date of the start of field work, the field work completion date, and the date that the reports will be completed and given to the Board.

ENGAGEMENT APPROACH

1. Clearly describe the scope of the engagement and how it will be conducted for both financial and compliance aspects. The engagement approach should be described in sufficient detail to demonstrate an understanding of the Board and its specific accounts, activities, and operations.
2. Describe the approach that will be taken for the subsequent period(s).

NATURE OF SERVICES

The proposal should include the nature of services that will be provided (refer to the “Nature of Services Required” section in SFPs).

REPORTS

The proposal should identify and describe the content of the individual reports that will be issued during the contract period (refer to the “Reports To Be Issued” section in SFPs).

REQUIRED DISCLOSURES

The proposal should state that the report will include all of the required disclosures listed in the “Reports To Be Issued” section referred to in the SFPs.

REPORT DISTRIBUTION

The proposal should state the appropriate distribution of the reports (refer to the “Report Distribution” section of the SFPs).

ENGAGEMENT DOCUMENTATION

The proposal should state the engagement documentation retention period, the availability for review, and the cost of copies as mentioned in the “Audit Working Papers” section of the SFPs.

COMPENSATION

1. The proposed fee must be placed in a sealed envelope (pricing envelope), which includes the name of the proposer’s firm and the name of the Board. The pricing envelope is to be sealed and stapled to the inside back cover of the proposal.
2. The proposed fee shall state the total all-inclusive maximum fee, including out-of-pocket expenses, for which the proposing firm plans to perform the engagement for each of the individual periods in the contract period. The pricing information must be presented in the following format:

For each engagement period:

<u>Staff Classification</u>	<u>Hours Assigned</u>	<u>Hourly Rate</u>	<u>Totals</u>
_____	XXX	\$XXX	\$XXX
_____	XXX	\$XXX	\$XXX
_____	XXX	\$XXX	\$XXX
_____	XXX	\$XXX	\$XXX
Total Hours	XXX A		
Out of Pocket Expenses			\$XXX
Total All Inclusive Maximum Fee			\$XXX B
Average Billing Rate (B/A)			\$XXX

For the entire contract period:

Total All Inclusive Maximum Fee	\$XXX C
Total Hours	XX D
Average Billing Rate (C/D)	\$XXX

Questions

All questions concerning SFPs should be directed to Mr. David W. Gernhauser at david.gernhauser@boardofliquidation.com.

Example of the front of the pricing envelope:

PRICING INFORMATION

ICPAs Name

Board Name