

INDEPENDENT FINANCIAL AUDIT  
REQUEST FOR PROPOSAL (RFP)

**Special Districts Association of Oregon  
&  
Special Districts Insurance Services Trust**



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## **I. Introduction**

SDAO and SDIS are conducting an RFP for financial auditing services. The initial term of the contract will be for three (3) years auditing the periods July 1, 2023 to June 30, 2026. SDAO and SDIS require separate audited financial statements. An option for two additional one-year terms may be considered if mutually agreed upon in writing by both parties.

## **II. Background of SDAO and SDIS**

SDAO (Special Districts Association of Oregon) is a non-profit 501c6 formed in 1978. SDAO has over 950 total members with a focus on education and legislative services. In 1985 SDAO authorized SDIS (Special Districts Insurances Services) to operate a member owned risk pooling program. SDAO is governed by a board of twelve elected board members.

SDIS does not have any employees and contracts nearly 100% of its services to SDAO. SDIS is a self-insured Property Casualty, and Employee Benefits (health and dental) insurance Trust, which operates as a public corporation. SDIS also maintains the run-out liabilities for its workers' compensation program that ended June 30, 2023. SDIS is governed by a board of seven appointed trustees.

The SDIS property casualty program has 945 members with total premiums of \$25 million. The health program has 275 members with premiums exceeding \$45 million.

Total assets for SDAO as of June 30, 2023 were \$8.2 million with liabilities of \$3.1 million. SDIS had total assets of \$108 million with \$93 million included in cash and investments and the remaining balance being fixed assets and receivables. Total liabilities are \$49 million with the majority being claims liabilities of \$32.8 million. Net assets are \$59 million.

The claims liabilities are determined by an annual actuarial report using data as of June 30<sup>th</sup>. This report is currently completed by PWC out of Seattle, Washington.

The following systems are used in daily operations

- 1) Accounting – Sage100
- 2) Claims Administration – Riskmaster and Business Objects
- 3) Underwriting – RPM (Custom program maintained by staff)
- 4) Payroll – ADP

### **III. Scope of Audit and Required Reports**

#### **A. Technical Standards**

Conduct an annual audit of the financial statements of both organizations. These must conform fully with generally accepted accounting principles (GAAP) and be in full compliance with the pronouncements of the Governmental Accounting Standards Board (GASB) and/or the Financial Accounting Standards Board (FASB), and disclosures required by State regulations as appropriate.

#### **B. Work to be Done**

The audit should include a review of all the processes performed by SDAO and SDIS to give an opinion on the financial statements. This would include cash receipts, cash disbursements, billing processes, claims processes, review of the actuarial report, review of reinsurance contracts, internal controls, etc.

In addition, the auditor should prepare a management letter with statements, observations, opinions, comments or recommendations with regard to:

1. Financial statements
2. Systems of internal control
3. Compliance with laws, rules, and regulations

Discussion drafts of the auditor's report should be presented at an exit conference with the appropriate management personnel as well as our audit committee which represents both organizations. The purpose of this conference is to sustain effective auditor-client communication and provide the appropriate checks and balance with the Board and Trust.

The auditor will also give a presentation to our Board of Directors and Board of Trustees at their November joint meeting.

The auditor should also be available throughout the year for occasional assistance with questions related to reporting, Internal Revenue Service or internal control questions including any comments in the Management Letter.

C. Timeliness of Auditor Reports

Time is of the essence when providing deliverables. The audited financial statements for SDAO and SDIS are required to be completed and delivered no later than October 31<sup>st</sup> following the June 30<sup>th</sup> fiscal year end. This allows time for our Board and Trust to review the documents prior to their November joint meeting.

D. Working Papers

Materials and sets of working papers developed during the engagement will be maintained by the auditor for a period of at least five (5) years, unless otherwise specified. Such working papers should be available for review by SDAO and SDIS as well as authorized representatives of and federal, state audit agency. In addition, the firm will respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

E. Resources to be Provided

1. Financial Records: SDAO can provide copies of current or prior years' financial statements, department operating manuals, budgets, Board minutes, reinsurance contracts, etc.
2. Assistance: SDAO shall assign appropriate staff to assist the auditor by providing required information and explanations.
3. SDAO will provide adequate working space for the auditor for any on-site work.

**IV. Minimum Contents of Proposal**

There is no limit on page number or length of the RFP. However, SDAO/SDIS is not interested in brochures, boilerplate filler, or general information that is not relevant to the experience necessary to meet the needs listed in Section III. Consultants responding to this RFP are advised to provide a clear and responsive approach to addressing all issues noted in this RFP.

Each proposal should contain at a minimum:

- A. A brief statement of the proposer's understanding of the objective of the services to be performed.
- B. Identification of Prospective Auditor: Name of person or firm submitting the proposal, including mailing address, telephone number, and the individual to contact for further information if necessary.
- C. Management: Name of the lead person who will conduct the audit. The auditor will not be permitted to substitute the lead person without prior approval of SDAO. A listing of any specialized insurance education or certifications should be included.

SDAO / SDIS is interested in firms that provide a structured process for managing audits which include a high level of communication and accountability. Please describe your firms process of communication both internal and with clients. Please also describe the method of communication you find most useful in providing feedback and updates to clients.

- D. Personnel: A description of the qualifications of all professional personnel who will be conducting the audit, including:
  - A summary of similar work of audits performed,
  - A brief resume for each professional, and
  - A statement indicating to what extent each team member will be assigned to the audit.
- E. Organization: A brief description of the firm or organization, including a summary of similar work or audits that were performed in the immediate past three years. For example, experience with municipal self-insurance in property casualty and employee benefit programs.

References should be included for at least three (3) municipal clients for which the firm or members of the firm have provided similar or related service within the past 10 years. A description of pertinent audits and current contact information for the agency should be provided.

- F. Subcontractors: If any subcontractors are to be used, a description of the qualifications of each person or firm and the monetary percentage of the work to be done.

- G. Methodology: The prospective auditor's description of the overall approach to the audit, including the work plan, specific techniques that will be used, specific administrative and operational management expertise, and auditing principles/standards that will be employed.

The consultant should describe their approach to serving as an independent financials auditor for similar sized agencies, how they will communicate with the SDAO/SDIS, and what policies they will follow when interacting with various members of SDAO / SDIS on audits and on a day to day basis.

- H. Claims Systems: Experience and knowledge auditing internal claim adjusting departments.
- I. Conflicts of Interest: Disclosure of any past or current business or other relationship with SDAO/SDIS that may have an impact upon the outcome of the audit. Include a listing of current clients that may have a financial interest in the outcome of the audit.
- J. Cost – Provide an annual fee schedule including the initial costs and the factors used for subsequent years. Also include hourly rates for staff working on this audit.

## V. Proposer Questions and Requests

- A. RFP Clarification – Any audit firm requiring further clarification of the proposal procedures contained herein should submit specific questions to:

Michael Doherty at [mdoherty@sdao.com](mailto:mdoherty@sdao.com)

A response will be provided to those questions that are deemed appropriate. If we feel the response could provide some clarification to other firms submitting proposals, we may send the response to all responding firms.

- B. Prior year financial statements are available for review from SDAO by contacting [mdoherty@sdao.com](mailto:mdoherty@sdao.com).

## Proposed Timetable

Event	Deadline/Date
Issue Request for Proposals	February 21, 2024
Proposer's written questions and requests received by	March 15, 2024
Proposals must be received by 11:00 a.m., PST	March 22, 2024
Notification of Finalists	Late April 2024
Contracts signed	End of May 2024