

# MEMORANDUM

To: Audit Committee

Date: October 11, 2011

From: Lori Hamahashi, Deputy Comptroller  
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Proposed Selection Process for an Independent Auditor

October 2011							November 2011							December 2011							January 2012							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
						1			1	2	3	4	5						1	2	3	1	2	3	4	5	6	7
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14	
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21	
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28	
23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31	29	30	31					
30	31																											

**Timelines**

Audit of the California Housing Loan Insurance Fund must begin during the month of March 2012.

To meet the audit deadlines we must have a fully executed contract by the end of February 2012.

To the extent the vetting process is conducted by the Audit Committee that process must occur in public session.

There are two Board Meetings scheduled between now and February 2012, the date necessary to complete the selection of the independent auditor: November 17, 2011 and January 19, 2012.

**Procedural Process and Logistics**

The Audit Committee must determine for its recommendation to the Board of Directors:

1. Whether to use the RFP process as outlined in the draft RFP or recommend an alternative process by which CalHFA selects the independent auditor.
  - a. The Auditing and Attestation Services Request for Proposal ("RFP") document is attached hereto for your review and comment. The RFP was drafted based on the

January 2011 board meeting by which the Agency had proposed the use of an RFP to obtain the services of an independent auditor.

2. The responsibilities of the Agency staff vs. Audit Committee related to the selection process.

### RFP Process

Under the RFP process all of the vendors responding to the RFP will be screened on their applications and the top two or three finalists will be considered for oral interviews/presentations. At the conclusion of oral interviews, one or more finalists are referred to the Board of Directors for selection. Presumably, if more than one finalist is referred to the full board, there will be some form of vetting the applications by the full board.

### Considerations for determining Selection Process

- Will an RFP be used in the selection process or is there another recommended process by which the audit committee deems appropriate?
  - Is the draft RFP sufficient?
  - Are there any recommended changes to the RFP?
- Which accounting firms will be invited for consideration?
  - Will only the Big Four (PwC, Deloitte, Ernst & Young, and KPMG) accounting firms be invited or are we going to include regional accounting firms?
  - What will be the criteria for selecting the regional accounting firms?
  - Will the incumbent (Deloitte) be allowed to bid?
- What are the responsibilities of the Agency staff vs. Audit Committee during the RFP process, if selected?

### Option 1

- *Staff assists with answering any questions related to the RFP but does not assist in the review or ranking of the RFP's.*
- *Audit Committee performs the full review and ranking of all RFP responses. Audit Committee will determine which accounting firms will present at the November 17<sup>th</sup> Audit Committee meeting. Audit Committee evaluates presentations and makes final recommendation to the Board by January 19, 2012.*

### Option 2

- *Staff answers questions related to the RFP and performs the full review and ranking of all RFP responses. Staff determines which accounting firms will present at the November 17<sup>th</sup> Audit Committee meeting.*
- *Audit Committee evaluates presentations at November 17<sup>th</sup> Audit Committee and makes final recommendation to the Board by January 19, 2012.*

### Option 3

- *Staff answers questions related to the RFP and performs the full review and ranking of all RFP responses. Staff requests finalist to do a presentation for Agency staff. Staff makes final recommendation to the Audit Committee on November 17<sup>th</sup>. Staff provides Audit Committee with all necessary documentation leading up to the final recommendation made by staff.*
- *Audit Committee makes final recommendation (based solely on the recommendation of the staff) to the Board by January 19, 2012.*

# **California Housing Finance Agency**

## **Audit and Attestation Services Request for Proposal**

**DRAFT DOCUMENT – NOT INTENDED FOR RELEASE**

**DRAFT DOCUMENT – NOT INTENDED FOR RELEASE**

## Table of Contents (update table of contents)

<b>I</b>	<b>INTRODUCTION AND OVERVIEW OF REQUIREMENTS.....</b>	<b>1</b>
1.1	Background.....	1
1.2	Purpose.....	1
1.3	Evaluation Criteria.....	1
1.4	Definitions.....	1
1.5	RFP Disclaimers.....	2
1.6	Service Objectives.....	2
1.7	Scope of the RFP and Admonishment.....	3
1.8	Point of Contact.....	4
1.9	Key Action Events and Projected Dates.....	4
1.10	RFP Questions.....	5
1.11	Changes in Scope of Services.....	5
1.12	Proposal Requirements and Conditions.....	5
1.13	RFP Documents.....	5
1.14	Addenda.....	5
1.15	Submission of Proposal and Contract.....	5
1.16	Reservations.....	6
1.17	Licenses.....	6
1.18	Conflict of Interest.....	6
1.19	Confidentiality of Data.....	7
1.20	Mandatory Use of the Proposal Format Template.....	7
1.21	Proposal Materials.....	7
<b>2</b>	<b>PROPOSAL STEPS.....</b>	<b>8</b>
2.1	Questions and Written Statements.....	8
2.2	Proposal Submission.....	8
2.2.1	Submission of Proposal.....	8
2.2.2	Clarification of Proposals.....	9
2.2.3	Late Submission of Proposals.....	9
2.3	Selection Process.....	9
2.3.1	Reference Checks.....	9
2.3.2	Selection and Approval.....	9
<b>3</b>	<b>ADMINISTRATIVE REQUIREMENTS.....</b>	<b>10</b>
3.1	Overall Proposal Responsiveness.....	10
3.2	Constraints.....	10
3.3	Vendor Personnel.....	10
3.4	Vendor References.....	10
3.5	Vendor.....	11
3.6	Disputes, Claims, Actions, Proceedings, Convictions.....	11
3.7	Confidentiality and Disclosures.....	11

3.8	Payee Data Record, STD. 204 .....	12
<b>4</b>	<b>CURRENT ENVIRONMENT .....</b>	<b>13</b>
4.1	Agency Overview .....	13
4.1.1	California Housing Finance Fund Overview .....	13
4.1.2	California Housing Loan Insurance Fund Overview .....	14
4.1.3	Significant Accounting Policies .....	14
<b>5</b>	<b>STATEMENT OF WORK .....</b>	<b>15</b>
5.1	Summary and Authoritative Guidance .....	15
5.2	Primary Services Deliverables for the CHFF .....	15
5.3	Primary Services Deliverables for the CHLIF .....	16
	<b>APPENDIX 1 PROPOSAL FORMAT .....</b>	<b>17</b>
A.	Proposal Signature .....	17
B.	Cover Letter .....	17
C.	Vendor Profile .....	18
C.1.	Vendor Organization Overview .....	18
C.2.	Business Disputes .....	18
D.	Responses .....	19
D.1.	Statement of Work Responses .....	19
D.2.	Implementation Strategy .....	19
D.3.	D.3. Vendor References .....	19
E.	Administrative Policy Instructions .....	21
F.	Pricing Proposal .....	22
	<b>APPENDIX 2 CONFIDENTIALITY STATEMENT .....</b>	<b>24</b>
	<b>APPENDIX 3 PROPOSAL SIGNATURE FORM .....</b>	<b>25</b>
	<b>APPENDIX 4 PAYEE DATA RECORD, STD. 204 .....</b>	<b>26</b>

### List of Tables

Table 1: Point of Contact .....	4
Table 2: Key Action Events and Projected Dates .....	4
Table 3: Vendor Reference Form .....	19

# 1 Introduction and Overview of Requirements

## 1.1 Background

The California Housing Finance Agency ("CalHFA" or "Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a public instrumentality and political subdivision of the State of California and is included in the State's Comprehensive Annual Financial Report ("CAFR"). The Agency is authorized to administer the activities of the California Housing Finance Fund ("CHFF"), California Housing Loan Insurance Fund ("CHLIF"), and two state general obligation bond funds. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

## 1.2 Purpose

This purpose of this Request for Proposal ("RFP" or "Proposal") is to obtain proposals from qualified certified public accounting firms to conduct financial audits of the CHFF and CHLIF along with other audit and attestation functions, as generally described in Section 5.2 and 5.3 of this RFP. The term of the engagement will be for one year beginning with calendar year ending 2011 for CHLIF and the fiscal year ending June 30, 2012 for CHFF with the possibility of being extended for additional one (1) year terms, with a maximum of three (3) extensions.

## 1.3 Evaluation Criteria

Response to the RFP will be reviewed based on the following:

1. Firm's experience as Independent auditor for:
  - a. Housing Finance Agencies
  - b. Other issuers of revenue bonds
  - c. Commercial banks and mortgage lenders
  - d. Other agencies of the State of California
2. Organization, size and structure of firm
3. Qualifications of staff to be assigned - position in firm and years and type of experience will be considered
4. Responsiveness of written proposal to the scope of services and requirements
5. Pricing proposal

## 1.4 Definitions

The terms listed below shall have the meanings ascribed therein when used in this RFP and in any addenda, exhibit, attachment or other document attached or referred to herein.

"**Audit Committee**", consists of three (3) members of the CalHFA Board of Directors.

"**California Housing Finance Agency**", "**CalHFA**", or "**the Agency**", a public instrumentality and political subdivision of the State of California chartered to finance below market rate loans to create safe, decent and affordable rental housing and to assist first-time homebuyers in realizing the dream of homeownership.

Deleted: Introduction and Overview  
of Requirements

“California Housing Finance Fund”, or “CHFF”, is one (1) of two (2) continuously appropriated funds administered by the Agency.

“California Housing Loan Insurance Fund” or “CHLIF”, is one (1) of two (2) continuously appropriated funds administered by the Agency.

“Contract” means the written agreement between CalHFA and the Vendor that will bind the parties to performance, obligations, price, deliverables, etc. to perform audit and attestation services.

“Point of Contact” or “POC” is the CalHFA representative to whom the Vendor must direct all communications regarding the RFP.

“Statement of Work” or “SOW” means the services and tasks the Vendor will perform during the contract period.

“Sub Vendor” means anyone under contract with the Vendor to carry out some work or services which the Vendor has agreed to perform.

“Vendor” means the Vendor selected who enters into the Contract with CalHFA to perform audit and attestation services and is responsible for any SubVendors.

Comment [A1]: Are we going to allow subcontracting?

## 1.5 RFP Disclaimers

Vendors responding to this RFP should understand that this RFP process might differ significantly from the typical State of California process with which vendors may be familiar. Although CalHFA is a state agency, CalHFA is not required to procure any of its contracts through a competitive bidding process. Neither is CalHFA generally subject to many of the restrictions or requirements associated with state contracting practices. For instance, CalHFA is not required to include any of the protest or appeal rights that may be available under the typical state RFP procedures. In this regard, CalHFA urges vendors to pay particular attention to **Section 1.16 Reservations** when reviewing and responding to this RFP.

The RFP requests the submission of Proposals, but is not itself an offer and shall not be construed as an offer. In no event shall any obligation of any kind be enforceable against the Agency unless and until a written Contract is entered into.

## 1.6 Service Objectives

The following are the key service objectives CalHFA expects to achieve through the SOW as described in **Section 5 Statement of Work** of this RFP:

### Service objectives for CHFF:

- The CHFF fiscal year financial audit beginning with year ending June 30, 2012.
- Audit of CHFF and issuance of independent auditor's report by October 1st of each year.
- The CHFF opinion on supplemental information requested by the State Controller's Office by October 1st of each year.
- The CHFF OMB Circular A-133 Report (Federal Single Audit) by October 15<sup>th</sup> of each year.

Deleted: Introduction and Overview of Requirements

- The CHFF Financing Adjustment Factor ("FAF") agreed-upon procedures review (due every three years beginning with the three fiscal year periods ending June 30, 2012) required by HUD.
- The CHFF agreed-upon procedures in connection with Proposition 10 Funds (yearly).
- The CHFF agreed-upon procedures in connection with debt issuance as requested by underwriters (as needed).
- Opinion on Adequacy of Internal Controls using the Audit Guide provided by Department of Finance (due each odd year beginning 2013):
- Report audit results to Board of Directors Audit Committee (SAS 61).

**Service objectives for CHLIF:**

- The CHLIF calendar year financial audit beginning with fiscal year ending December 31, 2011.
- Audit of CHLIF and issuance of independent auditor's report by April 30<sup>th</sup> of each year.
- Report audit results to Board of Directors Audit Committee (SAS 61).

## 1.7 Scope of the RFP and Admonishment

This RFP contains the requirements for those who wish to submit a Proposal. The format and content are described in the appendices. This RFP also addresses the requirements that must be met in order to be eligible for consideration, as well as responsibilities before, during and after implementation of the Solution.

**VENDORS MUST TAKE THE RESPONSIBILITY TO:**

1. **CAREFULLY READ THE ENTIRE RFP;**
2. **IF CLARIFICATION IS NECESSARY, ASK APPROPRIATE QUESTIONS IN A TIMELY MANNER;**
3. **RESPOND COMPLETELY AND BY STATED DEADLINES; and**
4. **MAKE SURE THAT ALL PROCEDURES AND REQUIREMENTS OF THE RFP ARE ACCURATELY FOLLOWED AND APPROPRIATELY ADDRESSED.**

Deleted: Introduction and Overview of Requirements

## 1.8 Point of Contact

Direct all communication with CalHFA to the Point of Contact ("POC"), or such other person who CalHFA designates in writing, as follows:

**Table 1: Point of Contact**

<b>Name:</b>	Lori Hamahashi
<b>Title:</b>	Deputy Comptroller
<b>Address:</b>	California Housing Finance Agency 500 Capitol Mall, Suite 1400 Sacramento, CA 95814
<b>Email address:</b>	lhamahashi@calhfa.ca.gov
<b>Phone Number:</b>	(916) 326-8423

Normal working hours are from 8:00 A.M. until 5:00 p.m. Pacific Standard Time Monday through Friday.

## 1.9 Key Action Events and Projected Dates

The following table outlines the schedule for key action events and the projected dates and times (Pacific Time), as appropriate.

**Table 2: Key Action Events and Projected Dates**

#	Step	Purpose	Schedule (All times are PT)
	Release	Release of RFP to candidates	October 19, 2011
1.	Last day to submit questions regarding the RFP	Allows vendors to ask questions and receive answers prior to submission of Proposals to CalHFA. (See Section 1.10 for more information)	October 26, 2011
2.	Proposals due	CalHFA will receive Proposals from vendors and begin evaluating RFP responses.	NLT 5 pm on November 4, 2011
3.	Top 2 or 3 vendor finalists present to Audit Committee	Allows Audit Committee an additional opportunity to evaluate vendor finalists to make recommendation to the Board of Directors.	November 17, 2011
4.	Vendor selection	Audit Committee recommends vendor to Board of Directors for possible action	January 19, 2012
5.	Contract executed	Finalize Vendor services contract	End of February 2012

**Deleted:** Introduction and Overview of Requirements

## 1.10 RFP Questions

The vendors may submit written questions via email to the POC listed in Section 1.8. The POC shall broadcast responses to all submitted questions to all vendors within two (2) days from the date it was submitted.

## 1.11 Changes in Scope of Services

CalHFA reserves the right to change, add to, or delete, any part of this RFP. Additions, deletions or modifications to the original RFP could result in RFP addenda, which will become an integral part of the RFP and/or any Proposals.

CalHFA reserves the right to contract for services that are less or greater than those services specified in this RFP.

## 1.12 Proposal Requirements and Conditions

A vendor's Proposal is an irrevocable offer for one hundred eighty (180) calendar days following the scheduled date for Vendor Selection in the Key Action Dates specified in **Section 1.9 Key Action Events and Projected Dates**. A vendor may extend the offer in the event of a delay of Vendor Selection.

## 1.13 RFP Documents

This RFP includes CalHFA's requirements and instructions, which prescribe the format and content of Proposals to be submitted. If a vendor discovers any ambiguity, conflict, discrepancy, omission, or other error in this RFP, the vendor shall immediately notify the POC of such error by email and request clarification or modification of the document. Modifications will be made by addenda issued pursuant to **Section 1.14 Addenda**. Such clarifications shall be provided to all vendors participating in the procurement process, without divulging the source of the request. Insofar as practicable, CalHFA will give such notices to other interested vendors, but CalHFA shall not be responsible therefore.

## 1.14 Addenda

CalHFA may modify the RFP prior to the Vendor Selection date by issuance of an addendum.

## 1.15 Submission of Proposal and Contract

Any vendor submitting a Proposal thereby automatically agrees to each and all the terms, conditions, provisions and requirements set forth and contemplated in this RFP.

The contents of the Proposal of the selected Vendor will become contractual obligations contained in the Contract between the Vendor and CalHFA.

Failure of the selected Vendor to accept these obligations in the Contract may result in disqualification of the Vendor. Selection of a Vendor is contingent upon successful negotiation of the Contract.

Deleted: Introduction and Overview  
of Requirements

## 1.16 Reservations

All costs for developing and submitting proposals pursuant to this RFP are solely the responsibility of the party submitting the proposal and shall not be reimbursable by the Agency. Although the Agency has chosen at this time to seek Proposals for auditing services, it is not required to procure any of its contracts by way of competitive bidding and is generally not subject to many of the restrictions or requirements typically associated with state contracting practices. Accordingly, the Agency reserves its right to select one or reject all Proposals submitted pursuant to this RFP.

Comment [A2]: Moved to section 2.3

In addition, the Agency reserves the right to:

- Request an interview with any vendor prior to selection.
- Select for contract negotiation the vendor that, in the Agency's judgment, will best meet the Agency's needs, regardless of any differences in estimated costs between the vendors.
- Consider information about a vendor in addition to information submitted in its Proposal or obtained through interviews.
- Select a vendor other than a vendor responding to this RFP.
- Require additional information from any responding vendor.
- Terminate this process at any time without selecting a vendor.
- Change any deadline or date provided for herein without prior notification.
- Otherwise amend or modify any of the terms or provisions of this RFP.

Until the selected vendor has been approved and notice given to all responding vendors, no employee, agent, or representative of a responding vendor shall make available or discuss its Proposal with any officer, member employee, agent, or representative of the Agency other than the designated POC.

## 1.17 Licenses

Vendor shall be required to obtain any necessary software licenses and shall comply with all federal, state, and local laws, codes and ordinances without additional cost to CalHFA, other than the costs outlined in the vendor's proposal.

## 1.18 Conflict of Interest

Each responding vendor must disclose any existing or potential conflict of interest relative to the performance of the contractual services resulting from this RFP, including any relationship that might be perceived or represented as a conflict. By submitting a Proposal, the responding vendor affirms that it has not given, and does not intend to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, in connection with this procurement. Any attempt to intentionally or unintentionally conceal or obfuscate and any

Deleted: Introduction and Overview of Requirements

actual concealment or obfuscation, whether intentional or unintentional, of a conflict of interest will automatically result in the disqualification of a responding vendor's Proposal.

CalHFA will determine whether a conflict of interest exists and whether it may disqualify a responding vendor. Responding vendors must provide sufficient facts and information for the Agency to determine the significance of each potential conflict.

Prior to commencement of any services under the Contract, certain of the responding vendor's employees and agents, as determined by the Agency, shall complete a California FPPC Form 700, Statement of Economic Interests as required by the Agency's Conflict of Interest Code under Section 81000 et seq. of the California Government Code. Furthermore, CalHFA reserves the right to disqualify any responding vendor on the grounds of actual or apparent conflict of interest.

## 1.19 Confidentiality of Data

The Vendor shall comply with all CalHFA confidentiality requirements pertaining to all financial, statistical and personal data, including any and all non-public personal information of a consumer or customer of CalHFA, technical and other data and information relating to CalHFA's operation that are made available to the Vendor. The Vendor shall take all reasonable measures, including without limitation such measures as it takes to safeguard its own confidential information, to ensure the security and confidentiality of all information provided to it by CalHFA, to protect against all threats or hazards to the security or integrity of the information, and to protect against unauthorized access to or use of the information.

## 1.20 Mandatory Use of the Proposal Format Template

All proposals shall be submitted using the format defined in **Appendix 1 Proposal Format**. The proposal must be complete. If information is omitted from a proposal, CalHFA reserves the right to treat that proposal as non-responsive and reject the proposal. Any deviation from this format may lead to the rejection of the proposal.

All requests for information in all sections of this document must be answered as concisely as possible and with minimal marketing literature.

Proposals shall include a cover letter from the vendor indicating that the vendor understands the requirements of the RFP, including the RFP attachments and appendices and accepts the RFP terms and conditions (including addenda).

## 1.21 Proposal Materials

All materials submitted in accordance with this RFP become the property of CalHFA, and will not be returned unless otherwise specified.

Deleted: Introduction and Overview  
of Requirements

## 2 Proposal Steps

Proposals must meet all formatting and content requirements described in **Appendix 1 Proposal Format**. Proposals are to provide a straightforward, concise delineation of the vendor's compliance with the requirements of this RFP. Expensive bindings, colored displays, promotional materials, etc., are not necessary or desired. Emphasis must be concentrated on conformance to the RFP instructions, responsiveness to the RFP requirements and on completeness and clarity of content.

Before submitting each document, the vendor should carefully read its proposal for errors and adherence to the RFP requirements. All pages and sections in the Proposal must be clearly numbered.

### 2.1 Questions and Written Statements

Any written or verbal statements regarding this RFP by any person other than the POC prior to the selection will be deemed unauthorized and may not be relied on. Any statements from the POC must be in written form to be considered official.

Questions regarding the RFP and/or Contract can be submitted via email to the POC by the date indicated in **Section 1.9 Key Action Events and Projected Dates**. Questions received after that date and time may be considered but CalHFA does not guarantee a response in advance of the Proposal due date.

All questions and/or requests for additional information or clarification of information in the RFP shall include:

- The vendor name
- Contact person's name and title
- Contact person's business address, phone number and email address
- Clear and concise question(s) or statement(s)
- References to specific points within the RFP

### 2.2 Proposal Submission

#### 2.2.1 Submission of Proposal

Proposals must be emailed as a single PDF file and delivered in paper form to the POC listed in Section 1.8 not later than the date and time indicated in **Section 1.9 Key Action Events And Projected Dates**.

It is the sole responsibility of each submitting vendor to ensure that its Proposal is received before the submission deadline. Submitting vendor shall bear all risks associated with delays in delivery by any person or entity.

Proposals that do not reasonably satisfy the minimum requirements may be excluded from further consideration. CalHFA reserves the right to accept or reject any Proposal without further consideration for any reason.

Deleted: Introduction and Overview  
of Requirements

## 2.2.2 Clarification of Proposals

CalHFA may ask the vendor to clarify its submitted information but will not allow the vendor to change its Proposal. If such information is required, the vendor will be notified and will be permitted five (5) working days to submit the information required.

## 2.2.3 Late Submission of Proposals

Any Proposal received after the specified due date and time may be rejected.

## 2.3 Selection Process

Upon review of all Proposals, CalHFA may select Proposal(s) for further review, as outlined in the sections below.

### 2.3.1 Reference Checks

CalHFA may conduct reference checks of the vendor and the vendor's key personnel. CalHFA expects that all references will respond to CalHFA's inquiry. Clients of the vendor or vendor's key personnel, in addition to those provided as references by the vendor, may be contacted by CalHFA as part of its due diligence.

### 2.3.2 Selection and Approval

Selection of a vendor is expected to take place within the period designated in **Section 1.9 Key Action Events and Projected Dates**.

Recipients of this RFP will be evaluated based on the criteria reflected in **Section 1.3 Evaluation Criteria**. Details of the required components for each of these criteria are contained in **Section 5 Statement of Work**. Responding vendors will also be evaluated on the completeness of their proposals and their demonstrated ability to fully answer questions.

The qualifications of vendors responding to this RFP will initially be considered by CalHFA EMPLOYEES SELECTED BY THE EXECUTIVE DIRECTOR ("CalHFA Committee"). The CalHFA Committee will make recommendations to the Audit Committee which may or may not accept the CalHFA Committee's recommendation. The Audit Committee will select a vendor who in its opinion best meets the requirements of this RFP at a reasonable cost. As part of the selection process, the Audit Committee may require interviews with the vendors considered the most qualified to provide the services under this RFP

Selection of a vendor is expected to take place with the period designated in **Section 1.9 Key Action Events and Projected Dates**. Once selected by the Audit Committee the selected vendor will be expected to enter into a Contract with the Agency. The anticipated Contract effective date is indicated in **Section 1.9 Key Action Events and Projected Dates**.

Deleted: Introduction and Overview  
of Requirements

### 3 Administrative Requirements

#### 3.1 Overall Proposal Responsiveness

Each vendor must submit a responsive Proposal, which:

- Adheres to the format and content requirements specified in **Appendix 1 Proposal Format**.
- Includes the following required forms:
  - Appendix 2 – Confidentiality Statement; and
  - Appendix 3 – Proposal Signature Form.
- Conforms to **Section 1.12 Proposal Requirements and Conditions**.
- Meets the requirements defined in this **Section 3 Administrative Requirements**.
- Reflects an understanding of **Section 4 Current Environment**.
- Meets the requirements defined in **Section 5 Statement of Work**.

CalHFA reserves the right, at any time, to reject any Proposal.

#### 3.2 Constraints

CalHFA will establish all pertinent business and security policies and procedures including those that are vital to protecting its business interests and those required to meet industry regulations. The vendor must comply with, and support these policies.

#### 3.3 Vendor Personnel

The Vendor must provide the services in a professional manner, using only individuals of suitable experience, training and skill.

#### 3.4 Vendor References

The vendors shall provide client references for the vendor. The vendor will contact the references and inform them to be available to CalHFA after Proposals are due, outlined in **Section 1.9 Key Action Events and Projected Dates**, to validate the information provided by the vendor and to determine the client's overall satisfaction with the services provided. It may prove beneficial to the vendor to contact its referenced clients to ensure the client contact information provided on the corporate experience references form is up-to-date and that the client reference will be available. References that cannot be validated by CalHFA will not be considered.

*All references provided must be for services completed within the last three (3) years for which the vendor acted as the Vendor, with at least one of the references for services completed within the past one (1) year. A minimum of two of the vendor's references must be from similar industries.*

References must meet the qualification requirements and include the information specified in **Appendix 1, D.3 Vendor References**. At least three (3) client experience references are

Deleted: Introduction and Overview of Requirements

required. The descriptions of the services must be detailed and comprehensive enough to permit CalHFA to assess the similarity of those services to the work anticipated in this procurement.

### 3.5 Vendor

A single vendor will be selected. The vendor selected and enters into a Contract with CalHFA ("Vendor") will be solely responsible for successful performance of all Subvendors and support services offered in the vendor's Proposal. Furthermore, CalHFA will consider the Vendor to be the sole point of contact regarding contractual matters for the term of the Contract.

A joint Proposal (two or more vendors quoting jointly on one Proposal) will not be considered.

### 3.6 Disputes, Claims, Actions, Proceedings, Convictions

Each vendor must provide details of any disciplinary actions or other administrative action taken by any jurisdiction or person against vendor or its Subvendors. Each vendor shall list and summarize (include all involved parties) all judicial or administrative proceedings involving its system development and implementation activities and anti-trust suits in which it has been a party to within the last five (5) years. If vendor is a subsidiary, it must also submit information for all parent companies. If vendor intends to use Subvendors, associated companies, and consultants that will be involved in any phase of service, vendor's Proposal shall include pertinent information on each such Subvendor, associated company and consultant. Each vendor must identify each lawsuit and jurisdiction related to any past or pending claims within the last five (5) years. In addition, each vendor must identify any services where it was removed from service before its successful service completion within the last five (5) years and state the reasons for such removal. Vendor shall also inform CalHFA of any felony conviction of any officer or key personnel. If any information provided here is inaccurate, this could lead to disqualification of the vendor.

### 3.7 Confidentiality and Disclosures

The selected Vendor shall adhere to all required CalHFA confidentiality and disclosure policies. All or certain of Vendor's staff shall:

- Sign and submit the Confidentiality Statement.
- Sign and submit an Information Security Acknowledgement and Agreement upon Final Selection and before access is granted to any CalHFA resources.
- Sign and submit California FPPC Form 700, Statement of Economic Interests, if required by CalHFA upon entering into a Contract (<http://www.fppc.ca.gov/>).
- Treat all information, deliverables, and work products as confidential that cannot be disclosed in any form to any third-party without CalHFA's prior written consent.
- Not use, without CalHFA approval, any CalHFA materials for any purpose other than carrying out the terms under the Contract with CalHFA.
- Not remove any CalHFA equipment, information, data, work products, and deliverables outside CalHFA's secured environment without advance written approval from a CalHFA representative.

Deleted: Introduction and Overview  
of Requirements

- Abide by the following Privacy Statement:

"CalHFA systems are restricted to authorized users for legitimate purposes. There is no expectation of privacy on CalHFA systems as they are being audited and monitored. The unauthorized access, use, or modification of CalHFA systems or the data contained therein or in transit to/from, is prohibited by law and violators may be subject to criminal, civil and/or administrative actions."

### **3.8 Payee Data Record, STD. 204**

The selected Vendor must submit a fully executed copy of the Payee Data Record, STD. 204. The web link to the Payee Data Record is included in **Appendix 4**.

**Deleted:** Introduction and Overview  
of Requirements

## 4 Current Environment

### 4.1 Agency Overview

The CalHFA is the State's affordable housing bank with over \$10 billion in assets. The following are additional characteristics of the Agency:

- A component unit of the State of California
- Entirely self-supporting
- No funding appropriations by the state legislature
- 2 primary funds
  - California Housing Finance Fund
  - California Housing Loan Insurance Fund

#### 4.1.1 California Housing Finance Fund Overview

The following are characteristics of the California Housing Finance Fund operations:

- Issuance of Agency bonds and notes to fund loans to qualified borrowers for single family homes and multifamily developments
  - Both tax-exempt and taxable bonds
  - Fixed rate bonds, variable rate bonds, and variable rate bonds swapped to synthetically fixed rates
- Investment portfolio of over \$2.2 billion that is composed of
  - Investment agreements
  - Surplus Money Investment Fund
  - Securities
  - Money Market Funds
  - Other Short Term Investment Vehicles
- Program loans receivable of \$6.3 billion
- Bonds payable of \$7.9 billion
  - More than \$5.2 billion of variable rate debt
  - Approximately \$2.4 billion swapped to synthetically fixed rates
    - Thirteen (13) swap counterparties
- Copies of CalHFA's latest financial reports can be found at

<http://www.calhfa.ca.gov/about/financials/index.htm>

Deleted: Statement of Work

#### 4.1.2 California Housing Loan Insurance Fund Overview

The California Housing Loan Insurance Fund is the private mortgage insurance subsidiary of CalHFA. The following are characteristics of the California Housing Loan Insurance Fund operations:

- Assets total \$9 million
- More than 7,500 insured loans with total risk-in-force of over \$736 million
- Reinsurance agreement with Genworth
- Loss reserve calculations
- Copies of CalHFA's latest financial reports can be found at  
<http://www.calhfa.ca.gov/about/financials/index.htm>

#### 4.1.3 Significant Accounting Policies

- Follow the standards of reporting as promulgated by the Government Accounting Standards Board ("GASB"):
  - Adopted GASB Statement 20 - apply all GASB pronouncements and only FASB pronouncements prior to 11/30/89
  - Adopted GASB Statement 31- fair valuation of investments
  - Adopted GASB Statement 34 – financial statement presentation and management's discussion and analysis
  - Adopted GASB Statement 40 – investment risk
  - Adopted GASB Statement 53 – accounting and financial reporting for derivative instruments

Deleted: Statement of Work

## 5 Statement of Work

The purpose of this procurement is to obtain a qualified certified public accounting firm to provide audit and attestation services as generally described in this section of this RFP and consistent with **Section 4 Current Environment**.

### 5.1 Summary and Authoritative Guidance

The Vendor shall audit the financial statements of the CHFF and the CHLIF beginning with the fiscal year ending June 30, 2012 and the calendar year ending December 31, 2011, respectively. The audit shall be conducted for the purpose of expressing an opinion on the Agency's basic financial statements in accordance with auditing standards generally accepted in the United States of America based on the audit. Audit procedures are to be applied the management's discussion and analysis and any other supplementary information required by the Government Accounting Standards Board ("GASB") and any supplemental information presented in the Agency's Annual Reports.

The Vendor shall perform Single Audits as required by the Agency and issue the required reports thereon in compliance with Government Audit Standards issued by the Government Accountability Office ("GAO") and Budget Circular A-133 and the requirements of the American Recovery and Reinvestment Act ("ARRA") and the Housing and Recovery Act ("HERA") legislation.

The Vendor shall review the Agency's internal controls over financial reporting and operations and perform tests as are necessary to determine the Agency's compliance with certain provisions of laws, regulations, and other matters and shall issue reports thereon.

The Vendor shall perform agreed-upon procedures as required by the Agency in accordance with Statements on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants ("AICPA").

### 5.2 Primary Services Deliverables for the CHFF

The primary services deliverables to be provided by the Vendor are as follows:

- The CHFF fiscal year financial audit beginning with year ending June 30, 2012.
- Audit of CHFF and issuance of independent auditor's report by October 1st of each year.
- The CHFF opinion on supplemental information requested by the State Controller's Office by October 1st of each year.
- The CHFF OMB Circular A-133 Report (Federal Single Audit) by October 15<sup>th</sup> of each year.
- The CHFF Financing Adjustment Factor ("FAF") agreed-upon procedures review (due every three (3) years beginning with the three (3) fiscal year periods ending June 30, 2012) required by HUD.
- The CHFF agreed-upon procedures in connection with Proposition 1C Funds (yearly).
- The CHFF agreed-upon procedures in connection with debt issuance as requested by underwriters (as needed).

Deleted: Statement of Work

- Opinion on Adequacy of Internal Controls using the Audit Guide provided by Department of Finance (due odd year beginning 2013).
- Report audit results to Board of Directors Audit Committee (SAS 61).

### 5.3 Primary Services Deliverables for the CHLIF

The primary services deliverables for the CHLIF to be provided by the Vendor are as follows:

- The CHLIF calendar year financial audit beginning with fiscal year ending December 31, 2011.
- Audit of CHLIF and issuance of independent auditor's report by April 30<sup>th</sup> of each year.
- Report audit results to Board of Directors Audit Committee (SAS 61).

Deleted: Statement of Work

## Appendix 1 Proposal Format

Proposals must be emailed as a single PDF file and a paper copy delivered to the POC listed in Section 1.8 by the date and time indicated in **Section 1.9 Key Action Events and Projected Dates**.

It is the sole responsibility of each submitting vendor to ensure that its Proposal is received *before the submission deadline*. Submitting vendor shall bear all risks associated with delays in delivery by any person or entity.

Proposals that do not reasonably satisfy the minimum requirements will be excluded from further consideration. CalHFA reserves the right to accept or reject any Proposal without further consideration for any reason.

### A. Proposal Signature

**Instructions to vendors:** All vendors must complete and sign a Proposal Signature Form included in Appendix 3

**Failure to complete and sign a Proposal Signature Form will result in rejection of the Proposal.**

### B. Cover Letter

**Instructions to vendors:** Vendor's Proposal must contain a cover letter signed by an individual who is authorized to bind the vendor's firm contractually, indicating the title and position that person holds in the firm, and including a statement that the vendor understands the requirements of the RFP, including the RFP attachments and appendices, and accepts the RFP terms and conditions (including addendums).

<Response>

Deleted: Appendix 4 Payee Data  
Record, STD. 204

## C. Vendor Profile

**Instructions to vendors:** This section provides all relevant information regarding the vendor's capabilities to deliver, install and configure the proposed ECM solution.

### C.1. Vendor Organization Overview

#### Company Overview

Company Name:

---

---

---

Headquarters Location:

---

Date Founded:

---

Company ownership (e.g., private/public, joint venture):

---

Number of years vendor has been providing the type of services specified in RFP:

---

Number of employees:

---

#### Primary Contact Information

Name:

Title:

---

Address:

---

City, State and Zip Code:

---

Phone:

Fax:

---

Email:

---

#### Regional or Local Office Information

Company Name:

---

Address:

---

City, State and Zip Code:

---

Primary Contact:

---

Phone:

Fax:

---

### C.2. Business Disputes

**Instructions to vendors:** The vendor must provide details of any disciplinary actions or other administrative action taken by any jurisdiction or person against vendor or a SubVendor as described in **Section 3.6 Disputes, Claims, Actions, Proceedings, Convictions.**

<Response>

Deleted: Appendix 4 Payee Data  
Record, STD. 204

## D. Responses

### D.1. Statement of Work Responses

**Instructions to vendors:** Provide a description of your proposed audit and attestation services including at a minimum those sections defined in **Section 5 Statement of Work**.

<Response>

### D.2. Implementation Strategy

**Instructions to vendors:** The vendor shall provide a description of the vendor's approach to implementing its audit and attestation services:

- a. Implementation approach
- b. Keys to successful implementation of the vendor audit and attestation services

<Response>

### D.3. Vendor References

**Instructions to vendors:** Provide (per Table 3) at least three (3) references of clients whose engagements had a comparable scope of services to this RFP (preferably clients similar to CalHFA).

All references provided must be for services completed within the last three (3) years for which the vendor acted as the vendor, with at least one of the references for services completed within the past one (1) year. A minimum of two (2) of the references must be from similar industries.

<Response>

**Table 3: Vendor Reference Form**

Client Information			
Vendor Name:			
Service Start/End Dates:			
Client Name:	Contact Name:		
	Phone:		
Address:	Fax:		
	Email:		
Industry:			
<b>Type of Services</b>		<b>Description</b>	

Deleted: Appendix 4 Payee Data Record, STD, 204

**D.3.a. Use of Subvendors**

**Instructions to vendors:** Vendors may use Subvendors to augment some skill sets. CalHFA requires the vendor to identify any Subvendors to be used, the Subvendor roles and to what extent the Subvendor has been integrated into the vendor team in previous engagements.

Complete the following table for each Subvendor.

**Subvendors**

Subvendor name:	_____
Company ownership (i.e., private/ public, joint venture):	_____
Headquarters mailing address:	_____
Date founded:	_____
Number of employees:	_____
Products or Services to be provided to CalHFA:	_____
Percentage of Contract value being performed:	_____
Experience of Subvendor in performing the services to be provided:	_____
Brief description of previous partnering experience the Vendor has with Subvendor:	_____
Locations where Subvendor work is to be performed:	_____

Deleted: Appendix 4 Payee Data  
Record, STD. 204

## E. Administrative Policy Instructions

**Instructions to vendors:** CalHFA requires the vendor to attach completed copies of the following:

- Confidentiality Statement (provided in Appendix 2)
- Proposal Signature Form (provided in Appendix 3)

<Response>

Deleted: Appendix 4 Payee Data  
Record, STD. 204

## F. Pricing Proposal

**Instructions to vendors:** Vendor shall provide the pricing information in the format specified in this section. The Proposal shall clearly indicate ALL COSTS that the CalHFA is expected to incur over the term of the Contract based on the information contained in this RFP. CalHFA assumes the price is inclusive of all the services described in this RFP unless vendor explicitly indicates otherwise.

### Pricing for Audit and Attestation Services

California Housing Finance Fund					
	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Total
US GAAP Audit					
SCO Report					
Single Audit					
Prop 1C Agreed-Upon Procedures (yearly)					
FAF Agreed-Upon Procedures (every three years beginning with 3 FY periods ending June 30, 2012)					
Internal Control Opinion (odd year beginning 2013)					
Bond Underwriters Agreed-Upon Procedures	Leave Blank	Leave Blank	Leave Blank	Leave Blank	Leave Blank

Deleted: Appendix 4 Payee Data Record, STD. 204

One letter (Per issuance)					
Two letters (Per issuance)					
Travel Expenses (if not part of other fees)					
Total					
<b>California Housing Loan Insurance Fund</b>					
	Calendar Year 2011	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014	Total
US GAAP Audit					
Agreed-Upon Procedures – Freddie Mac Requirement					
Travel Expenses (if not part of other fees)					
Total					

The vendor shall state all prices in US dollars and these prices shall include all charges to CalHFA. That is, the proposed service charges shall be inclusive of all expenses, charges and costs for CalHFA specific assets and other resources incurred by the vendor in providing the service.

All prices shall remain valid for a period of at least one hundred eighty 180 days from the Vendor Selection date.

Deleted: Appendix 4 Payee Data  
 Record, STD. 204

## Appendix 2 Confidentiality Statement

As an authorized representative and/or corporate officer of the company named below, I warrant my company and its employees will not disclose any documents, diagrams, information and information storage media made available to us by the Agency for responding to the **Audit and Attestation Services RFP** or in conjunction with any contract arising there from. I warrant that only those employees who are authorized and required to use such materials will have access to them.

I further warrant that all materials provided by the Agency will be returned promptly after use and that all copies or derivations of the materials will be destroyed physically and/or electronically. I will include with the returned materials, a letter attesting to the complete return of materials and documenting the destruction of copies and derivations. Failure to so comply will subject this company to liability, both criminal and civil, including all damages to the Agency and third parties. I authorized the Agency to inspect and verify the above.

I warrant that if my company is approved as the Vendor for the services, it will not enter into any agreements or discussions with any third-party concerning such materials prior to receiving written confirmation from the Agency that such third-party has a confidentiality agreement with the Agency similar in nature to this one.

\_\_\_\_\_  
Signature of Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Representative (Print or Type)

\_\_\_\_\_  
Title of Representative (Print or Type)

\_\_\_\_\_  
Name of Company (Print or Type)

Deleted: Appendix 4 Payee Data Record,  
STD. 204

## Appendix 3 Proposal Signature Form

Name of Vendor: \_\_\_\_\_

Business Address: \_\_\_\_\_

(Street)

(City)

(State)

(Zip Code)

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Type of Business: \_\_\_\_\_  
(check one) Corporation  
\_\_\_\_\_ Partnership  
\_\_\_\_\_ Individual doing business under own name  
\_\_\_\_\_ Individual doing business using a firm name  
\_\_\_\_\_ Joint Venture (Attach Joint Venture Agreement)

Federal Tax I.D. Number: \_\_\_\_\_

To California Housing Finance Agency (CalHFA):

The undersigned, as vendor, certifies that the only persons or parties interested in this Proposal as principals are those named herein as vendor; that this Proposal is made without collusion with any other person, firm, or corporation; that in submitting this Proposal the vendor has examined all terms, conditions, and requirements set forth in the RFP; that the vendor proposes and agrees that if this Proposal is accepted, the vendor will execute and fully perform the Contract for which Proposals are called; that the vendor will perform all the work and/or furnish all the materials specified in the Contract, in the manner and time therein prescribed, and according to the requirements as therein set forth; and that the vendor will take in full payment therefore, the prices set forth in the Contract.

\_\_\_\_\_  
(Typed or Printed Name and Title) (Signature)

\_\_\_\_\_  
(Date)

Address (if different than business address above)

Deleted: Appendix 4 Payee Data  
Record, STD. 204

## Appendix 4 Payee Data Record, STD. 204

STD. 204 can be found on-line at <http://www.documents.dgs.ca.gov/osp/pdt/std204.pdf>

**Deleted:** Appendix 4 Payee Data Record,  
STD. 204