

OCHS, INC. INDEPENDENT AUDIT SERVICE
REQUEST FOR PROPOSAL (RFP)
Fiscal Year-Ending June 30, 2022

Exhibit A

SCOPE OF WORK

1. **GENERAL WORK REQUIREMENTS**

- 1.1 Auditor shall provide OCHS with agency audit services for the fiscal years ending June 30, 2022, 2023, 2024, and 2025
- 1.2 Auditor understands that the primary purpose of the examination as specified herein is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, the Auditor shall promptly advise OCHS. No extended services shall be performed unless they are authorized by OCHS and the Contract covering the work to be done has been amended to reflect the extended services.
- 1.3 Auditor shall certify that in accordance with generally accepted auditing standards and other applicable guidelines and regulations, the Auditor will select the necessary procedures to test compliance and to disclose noncompliance with specified laws, regulations and contracts.

2. **TECHNICAL STANDARDS**

The audit of OCHS shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Single Audit Act Amendments of 1996, and provisions of Office Management and Budget (OMB) Circular A-133, *Audits of States, Local Government and Nonprofit Organizations*, and the Audit Guide for Audits of Child Development and Nutrition Programs issued by the California Department of Education. In addition, audit of compliance will be performed in accordance Section 460 of the California Department of Education's Guide for Child Development, Nutrition and Adult Based Education Programs, and OMB Circular A-133, *Compliance Supplement*.

3. WORK ASSIGNMENT

- 3.1 Prepare, throughout the course of the audits, periodic status reports for each of the audit areas completed, in progress, and to be completed, including dates of completion, expected start dates, and expected completion dates. These scheduling and status reports shall be filed periodically, or upon request, with the Executive Director and the Division Director of Finance & Business Administration.
- 3.2 Conduct an annual comprehensive financial and compliance audit of the Federal Head Start and Early Head Start programs, including the Child and Adult Food Programs operated by OCHS.
- 3.3 Prepare and provide a preliminary draft audit report for OCHS including findings and recommendations, the status of prior year findings and recommendations, and questioned costs, if any, prior to conducting an exit conference for OCHS.
- 3.4 Prepare necessary tax returns. (990 forms, etc.)
- 3.5 Conduct an exit conference with appropriate personnel and the Audit Committee of OCHS.
- 3.6 Attend such meetings at OCHS as may be required during the course of the audit.

4. AUDIT REPORTS

The Auditor will prepare at a minimum the following for inclusion in the independent audit report:

- Independent Auditors' Report
- Independent Auditors' Report on State Compliance Requirements
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
- Current year Audit Findings and Recommendations
- Status of Prior Year Findings and Recommendations
- Management letter

5. OTHER AUDIT REPORTS

Twenty-five (25) copies of all audit reports for OCHS will be provided no later than _____ (Date) _____ of each year. These audit reports shall be filed as follows:

Seventeen (17) copies – OCHS’S Division Director of Finance & Business Administration

Three (3) copies – Program Director, Region IX Office of Head Start, Department of Health and Human Services, 90 Seventh Street, San Francisco, California 94103

Five (5) copies - California Department of Education

6. WORKING PAPERS

Working papers shall be retained by the Auditor for a minimum of three (3) years after resolution of the audit unless otherwise notified in writing by the Orange County Head Start, Inc., Health and Human Services, or the State Controller. The audits are subject to review by the State Controller's office, the Department of Education, the Office of the Auditor General, OCHS, and other individuals designated by OCHS. Accordingly, the audit working papers, or copies of the audit working papers, shall be made available upon request, and at no additional expense, to OCHS.

7. MANAGEMENT LETTER

A management letter shall be prepared in conjunction with each audit report. The management letter shall include a statement of findings and recommendations affecting the financial statements, internal control, accounting systems, legality of actions, other instances of noncompliance with laws and regulations, and any other material information.

Prior to the submission of the final draft of the management letter, the Auditor shall meet with appropriate management and staff of OCHS to discuss their content.

The Auditor shall prepare a separate report of all fraud, abuse, or illegal acts or indications of such acts, including all questioned costs found as a result of these acts that the Auditors become aware of. This report shall be submitted jointly to the Board of Directors of OCHS and to the Executive Director.

8. COMMUNICATION

The manager and partner of the audit firm shall be readily available to OCHS during the course of the audit to respond to questions and requests in a timely manner.

The Auditor shall prepare and submit to the Executive Director and the Division Director of Finance & Administration the proposed audit plan followed by a meeting with these individuals to review and discuss the plan.

The Auditor shall be responsible for timely communication to OCHS of proposed adjustments to the financial statements, management letter comments, material weaknesses in internal control systems, instances of noncompliance with federal and state compliance requirements, all instances of noncompliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements, and total amounts questioned, if any, for each financial assistance program as a result of noncompliance. This communication shall be to the Executive Director and Division Director of Finance & Administration.

9. RESOURCES TO BE PROVIDED BY OCHS

9.1 Prior Year Records

OCHS will provide Auditor access to prior year records and other internal reports as required to complete the work assignment. See Exhibit D – Sample Audit Report.

9.2 Staff Assistance

OCHS shall assign appropriate staff to assist the Auditor by providing required information and explanations. OCHS'S staff may be assigned on a full-time or part-time basis to assist the Auditor in field work, provide internal audit reports which are pertinent to the work of the Auditor, and provide copies of existing schedules as appropriate.

9.3 Working Space

Upon written request from the Auditor, OCHS shall provide Auditor with sufficient working space.

10. OPTIONAL WORK

Upon receipt of written notice from OCHS extending this Contract after the initial one (1) year term for an additional term, the Auditor shall perform the service described in this Scope of Work for the corresponding Option Term described below:

10.2.1 Contract Year #2: 1st option term; encompasses audit of fiscal year ending June 30, 2023.

10.2.2 Contract Year #3: 2nd option term; encompasses audit of fiscal year ending June 30, 2024

10.2.3 Contract Year # 4: 3rd option term; encompasses audit of fiscal year ending June 30, 2025

10.2.4 Contract Year #4: 4th option term; encompasses audit of fiscal year ending June 30, 2026.

11. ADDITIONAL WORK

If during the course of the examination, the Auditor finds any unusual item or circumstance which, in Auditor's view, warrants an immediate detailed investigation, the

same will be reported in writing to the Executive Director and the OCHS Chairperson, Board of Directors, who will distribute appropriate communications as needed. If in the opinion of the Executive Director and the OCHS Chairperson, Board of Directors, a more detailed verification is required than that which would be required under ordinary circumstances, a written authorization will be provided to the Auditor by the Executive Director.

Additional services are not within the scope of the services to be performed pursuant to the Contract with OCHS. If additional services are required and authorized, the Contract will be amended to reflect the additional services and supplemental compensation shall be at the hourly rates applicable for the then current audit year. If the additional work is not authorized by the Executive Director, the audit report may be qualified according to the circumstances involved.

OCHS may also request the Auditor to perform work or render services in addition to those which are usual and customary to a single audit of OCHS. If such work is performed by the Auditor, the Contract will be amended to reflect the scope of the work to be done. Compensation for such work shall be at the hourly rates applicable to the then current contract year for the type of services to be provided.

12. AUDITOR'S OBLIGATION TO PERFORM WORK IN ACCORDANCE WITH STANDARDS

If the work performed by Auditor is not in accordance with the standards as specified herein, or if the reports submitted by Auditor are not complete; or if the reports are rejected by the Department of Health & Human Services, and the California State Controller as incomplete, then the Auditor shall be obligated to do whatever is required to correct the reports to meet the requirements as specified in the standards, or as specified by the Department of Health & Human Services, and the California State Controller at no cost to OCHS.

13. KEY PERSONNEL

The Auditor shall assign professional staff with appropriate knowledge, skills and disciplines for the conduct of a private nonprofit single audit of the Head Start and Early Head Start programs.

In-charge auditors shall be certified public accountants, currently licensed in the State of California. Managers shall coordinate the activities of the audit staff and shall be the liaison between the Auditor and OCHS. The manager shall be readily accessible and respond on a timely basis to OCHS at all times.

The Auditor shall keep a current Project Organization Chart indicating the specific personnel assigned to each aspect of the audit(s). The Auditor shall also prepare, throughout the course of the audit(s), periodic status reports for each of the audit areas completed, in progress, and to be completed, including dates of completion, expected start dates, and expected completion dates. These scheduling and status reports shall be filed periodically, or upon request, with the Executive Director and Division Director of Finance & Administration.