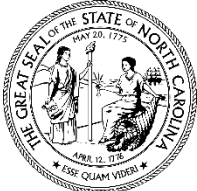
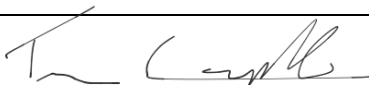


STATE OF NORTH CAROLINA Department of Administration Division of Purchase and Contract 	REQUEST FOR BEST AND FINAL OFFER NO. DPC-646236801-MT
Refer <u>ALL</u> inquiries regarding this BAFO to the procurement lead through the Events Message Board in the Sourcing Tool.	Offers will be received until: November 20, 2023, by 5:00 PM ET
See page 2 for Submission Instructions	Issue Date: November 17, 2023 Commodity Number: 84111600 – Audit Services Description: Supplemental Internal Audit Services Using Agency: STATEWIDE Requisition No.: N/A

NOTICE TO VENDOR: Offers submitted in response to this Best and Final Offer (BAFO) for the furnishing and delivering the goods and services described herein, subject to the conditions made a part hereof, will be received through the Sourcing Tool until 5:00 PM Eastern Time on the day of opening. Refer to page two for submission instructions. Offers submitted in any other way in response to this BAFO will not be accepted. Offers are subject to rejection unless submitted on this form.

EXECUTION: In compliance with this Request for BAFO, along with the terms and conditions in the original solicitation, as maybe modified herein, the undersigned offers and agrees to furnish any or all goods and services which are offered, at the prices agreed upon and within the time specified herein. Pursuant to GS §143-54 and §143-59.2 and under penalty of perjury, the undersigned Vendor certifies that this offer has not been arrived at collusively or otherwise in violation of Federal or North Carolina law and this offer is made without prior understanding, agreement, or connection with any firm, corporation, or person submitting an offer for the same commodity, and is in all respects fair and without collusion or fraud.

Failure to execute/sign offer prior to submittal shall render offer invalid. Late offers will not be accepted.

VENDOR: Kernutt Stokes LLP	EMAIL: tcampbell@kernuttstokes.com	
STREET ADDRESS: 1777 SW Chandler Ave. Suite 280	P.O. BOX:	ZIP: 97701
CITY & STATE & ZIP: Bend, Oregon, 97701	TELEPHONE NUMBER: 541-749-4020	TOLL FREE TEL. NO:
TYPE OR PRINT NAME & TITLE OF PERSON SIGNING: Trevor Campbell, Partner	FAX NUMBER:	
AUTHORIZED SIGNATURE: 	DATE: 11/17/2023	

Offer valid for ninety (90) calendar days from date of opening unless otherwise stated here: ____ days.

ACCEPTANCE OF OFFER: If the State accepts any or all parts of this offer, an authorized representative of the Agency shall affix his/her signature to the Vendor's response to this Request for BAFO. The acceptance shall include the response to this BAFO, any provisions and requirements of the original Solicitation which have not been superseded herein, and the North Carolina General Terms and Conditions. These documents shall then constitute the written agreement between the parties. A copy of this acceptance will be forwarded to the successful Vendor(s).

FOR STATE USE ONLY: Offer accept and Contract awarded this 1st day of December 2023, as indicated on the attached certification, by <u>PandC - Melinda Tomlinson</u> (Authorized Representative of Division of Purchase and Contract)

SUBMISSION INSTRUCTIONS: Vendor shall submit its offer through the Sourcing Tool. Any files submitted shall not be password protected and shall be capable of being copied to other media.

REQUEST FOR BEST AND FINAL OFFER (BAFO):

This request is to solicit a best and final offer from Vendor for Supplemental Internal Audit, Assurance, Data Analytics, and Managerial Advisory Services. The offer should integrate the previous response to the Solicitation and any changes listed below. Any individual Vendor may receive a different number of BAFO requests than other Vendors.

NOTE: This Solicitation is still in the evaluation period. During this period and prior to award, possession of the BAFO, original bid response, and accompanying information is limited to personnel of the Issuing Agency and any agencies responsible for participating in the evaluation. Vendors who attempt to gain this privileged information, or to influence the evaluation process (i.e., assist in evaluation), will be in violation of purchasing rules and their offer will not be further evaluated or considered.

Specific requests begin on the next page. Vendor may copy requests onto additional pages, as needed, to provide sufficient space for its response.

1.0 IT SECURITY SPECIFICATIONS

1.1 FOR SOLUTIONS HOSTED ON STATE INFRASTRUCTURE

For Vendors who only want to be considered for Agency solutions hosted on State Infrastructure, those Vendors shall provide a completed Vendor Readiness Assessment Report State Hosted Solutions ("VRAR") as soon as possible after receipt of this BAFO. This report is located at the following website:

<https://it.nc.gov/documents/vendor-readiness-assessment-report>

The Supplemental Internal Audit Services vendors will be required to receive and securely manage data that may be classified as high as Statewide Critical - High. Refer to the North Carolina Statewide Data Classification and Handling policy for more information regarding this data classification. The policy is located at the following website: <https://it.nc.gov/document/statewide-data-classification-and-handling-policy>

Vendor must submit the completed form to ESRMO.Security.Reviews@nc.gov. Vendors must reference the RFP# DPC-646236801-MT STC Supplemental Internal Auditing Services.

To comply with the State's Security Standards and Policies, State agencies are required to perform annual security/risk assessments on their information systems using NIST 800-53 controls.

1.2 FOR SOLUTIONS NOT HOSTED ON STATE INFRASTRUCTURE

For Vendors who want to be considered for Agency solutions hosted on State AND Vendor Infrastructure, those Vendors shall comply with the requirements of this section. Specifically, the Supplemental Internal Audit Services vendors will be required to receive and securely manage data that is classified as high as Statewide Critical - High. Refer to the North Carolina Statewide Data Classification and Handling policy for more information regarding data classification. The policy is located at the following website: <https://it.nc.gov/document/statewide-data-classification-and-handling-policy>.

To comply with the State's Security Standards and Policies, State agencies are required to perform annual security/risk assessments on their information systems using NIST 800-53 controls. This requirement additionally applies to all Vendor-provided, agency-managed Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS) solutions which will handle data classified as Medium Risk (Restricted) or High Risk (Highly Restricted) data.

(a) Vendors shall provide a completed Vendor Readiness Assessment Report Non-State Hosted Solutions ("VRAR") as soon as possible after receipt of this BAFO. This report is located at the following website: <https://it.nc.gov/documents/vendor-readiness-assessment-report>

(b) Vendors shall also provide, upon receipt of this BAFO, a current independent 3rd party assessment report in accordance with the following subparagraphs (i)-(iii). Contract award will be dependent upon approval of the report as defined in subparagraphs (i)-(iii).

(i) Federal Risk and Authorization Management Program (FedRAMP) certification, SOC 2 Type 2, ISO 27001, or HITRUST are the preferred assessment reports for any Vendor solutions which will handle data classified as Medium Risk (Restricted) or High Risk (Highly Restricted).

(ii) A Vendor that cannot provide a preferred independent 3rd party assessment report as described above may submit an alternative assessment, such as a SOC 2 Type 1 assessment report. The Vendor shall provide an explanation for submitting the alternative assessment report. If awarded this contract, a Vendor who submits an alternative assessment report shall submit one of the preferred assessment reports no later than 365 days of the Effective Date of the contract. Timely submission of this preferred assessment report shall be a material requirement of the contract.

(iii) An IaaS vendor cannot provide a certification or assessment report for a SaaS provider UNLESS permitted by the terms of a written agreement between the two vendors and the scope of the IaaS certification or assessment report clearly includes the SaaS solution.

(c) Additional Security Documentation. Prior to contract award, the State may in its discretion require the Vendor to provide additional security documentation, including but not limited to vulnerability assessment reports and penetration test reports. The awarded Vendor shall provide such additional security documentation upon request by the State during the term of the contract.

Vendor must submit the completed form to ESRMO.Security.Reviews@nc.gov. Vendors must reference the RFP# DPC-646236801-MT STC Supplemental Internal Auditing Services.

1.3 LOCATION OF WORKERS UTILIZED BY VENDOR

In accordance with N.C.G.S. §143B-1361(b), Vendor must identify how it intends to utilize resources or workers located outside the U.S., and the countries or cities where such are located. The State will evaluate additional risks, costs, and other factors associated with the Vendor's utilization of resources or workers prior to making an award for any such Vendor's offer. The Vendor shall provide the following:

- a) The location of work to be performed by the Vendor's employees, subcontractors, or other persons, and whether any work will be performed outside the United States. The Vendor shall provide notice of any changes in such work locations if the changes result in performing work outside of the United States.
- b) Any Vendor or subcontractor providing support or maintenance Services for software, call or contact center Services shall disclose the location from which the call or contact center Services are being provided upon request.

Will Vendor perform any work outside of the United States?

☐ YES ☒ NO

If YES, please indicate below:

- a) where the work will be performed: _____
- b) what type of work is being performed (Help Desk, Coder, etc.): _____
- c) what type of work that employee performs (help desk support, coding, etc.): _____

2.0 TERMS AND CONDITIONS APPLICABLE TO AUDITING SOLUTIONS NOT HOSTED ON STATE INFRASTRUCTURE

- a) All materials, including software, Data, information and documentation provided by the State to the Vendor (State Data) during the performance or provision of Services hereunder are the property of the State of North Carolina and must be kept secure and returned to the State. The Vendor will protect State Data in its hands from unauthorized disclosure, loss, damage, destruction by natural event, or other eventuality. Proprietary Vendor materials shall be identified to the State by Vendor prior to use or provision of Services hereunder and shall remain the property of the Vendor. Derivative works of any Vendor proprietary materials prepared or created during the performance of provision of Services hereunder shall be provided to the State as part of the Services. The Vendor shall not access State User accounts, or State Data, except (i) during data center operations, (ii) in response to service or technical issues, (iii) as required by the express terms of this contract, or (iv) at State's written request. The Vendor shall protect the confidentiality of all information, Data, instruments, studies, reports, records and other materials provided to it by the State or maintained or created in accordance with this Agreement. No such information, Data, instruments, studies, reports, records and other materials in the possession of Vendor shall be disclosed in any form without the prior written agreement with the State. The Vendor will have written policies governing access to and duplication and dissemination of all such information, Data, instruments, studies, reports, records and other materials.
- b) The Vendor shall not store or transfer non-public State data outside of the United States. This includes backup data and Disaster Recovery locations. The Service Provider will permit its personnel and contractors to access State of North Carolina data remotely only as required to provide technical support.
- c) Protection of personal privacy and sensitive data. The Vendor acknowledges its responsibility for securing any restricted or highly restricted data, as defined by the Statewide Data Classification and Handling Policy (<https://it.nc.gov/document/statewide-data-classification-and-handling-policy>) that is collected by the State and stored in any Vendor site or other Vendor housing systems including, but not limited to, computer systems, networks, servers, or databases, maintained by Vendor or its agents or subcontractors in connection with the provision of the Services. The Vendor warrants, at its sole cost and expense, that it shall implement processes and maintain the security of data classified as restricted or highly restricted; provide reasonable care and efforts to detect fraudulent activity involving the data; and promptly notify the State of any breaches of security within 24 hours of confirmation as required by N.C.G.S. § 143B-1379.
- d) The Vendor will provide and maintain secure backup of the State Data. The Vendor shall implement and maintain secure passwords for its online system providing the Services, as well as all appropriate administrative, physical, technical and procedural safeguards at all times during the term of this Agreement to secure such Data from Data Breach, protect the Data and the Services from loss, corruption, unauthorized disclosure, and the introduction of viruses, disabling devices, malware

and other forms of malicious or inadvertent acts that can disrupt the State's access to its Data and the Services. The Vendor will allow periodic back-up of State Data by the State to the State's infrastructure as the State requires or as may be provided by law.

- e) The Vendor shall certify to the State:
- i) The sufficiency of its security standards, tools, technologies and procedures in providing Services under this Agreement;
 - ii) That the system used to provide the Subscription Services under this Contract has and will maintain a valid 3rd party security certification not to exceed 1 year and is consistent with the data classification level and a security controls appropriate for low or moderate information system(s) per the National Institute of Standards and Technology NIST 800-53 revision 4. The State reserves the right to independently evaluate, audit, and verify such requirements.
 - iii) That the Services will comply with the following:
 - (1) Any DIT security policy regarding Cloud Computing, and the DIT Statewide Information Security Policy Manual; to include encryption requirements as defined below:
 - (a) The Vendor shall encrypt all non-public data in transit regardless of the transit mechanism.
 - (b) For engagements where the Vendor stores sensitive personally identifiable or otherwise confidential information, this data shall be encrypted at rest. Examples are social security number, date of birth, driver's license number, financial data, federal/state tax information, and hashed passwords. The Vendor's encryption shall be consistent with validated cryptography standards as specified in National Institute of Standards and Technology FIPS140-2, Security Requirements. The key location and other key management details will be discussed and negotiated by both parties. When the Service Provider cannot offer encryption at rest, it must maintain, for the duration of the contract, cyber security liability insurance coverage for any loss resulting from a data breach. Additionally, where encryption of data at rest is not possible, the Vendor must describe existing security measures that provide a similar level of protection;
 - (2) Privacy provisions of the Federal Privacy Act of 1974;
 - (3) The North Carolina Identity Theft Protection Act, N.C.G.S. Chapter 75, Article 2A (e.g., N.C.G.S. § 75-65 and -66);
 - (4) The North Carolina Public Records Act, N.C.G.S. Chapter 132; and
 - (5) Applicable Federal, State and industry standards and guidelines including, but not limited to, relevant security provisions of the Payment Card Industry (PCI) Data Security Standard (PCIDSS) including the PCIDSS Cloud Computing Guidelines, Criminal Justice Information, The Family Educational Rights and Privacy Act (FERPA), Health Insurance Portability and Accountability Act (HIPAA);
 - (6) Any requirements implemented by the State under N.C.G.S. §§ 143B-1376 and -1377.
- f) Security Breach. "Security Breach" under the NC Identity Theft Protection Act (N.C.G.S. § 75-60ff) means (1) any circumstance pursuant to which applicable Law requires notification of such breach to be given to affected parties or other activity in response to such circumstance (e.g., N.C.G.S. § 75-65); or (2) any actual, attempted, suspected, threatened, or reasonably foreseeable circumstance that compromises, or could reasonably be expected to compromise, either Physical Security or Systems Security (as such terms are defined below) in a fashion that either does or could reasonably be expected to permit unauthorized Processing (as defined below), use, disclosure or acquisition of or access to any the State Data or state confidential information. "Physical Security" means physical security at any site or other location housing systems maintained by Vendor or its agents or subcontractors in connection with the Services. "Systems Security" means security of computer, electronic or telecommunications systems of any variety (including data bases, hardware, software, storage, switching and interconnection devices and mechanisms), and networks of which such systems are a part or communicate with, used directly or indirectly by Vendor or its agents or subcontractors in connection with the Services. "Processing" means any operation or set of operations performed upon the State Data or State confidential information, whether by automatic means, such as creating, collecting, procuring, obtaining, accessing, recording, organizing, storing, adapting, altering, retrieving, consulting, using, disclosing or destroying.
- g) Breach Notification. In the event Vendor becomes aware of any Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Agreement, Vendor shall, at its own expense, (1) immediately notify the State's Agreement Administrator of such Security Breach and perform a root cause analysis thereon, (2) investigate such Security Breach, (3) provide a remediation plan, acceptable to the State, to address the Security Breach and prevent any further incidents, (4) conduct a forensic investigation to determine what systems, data and information have been affected by such event; and (5) cooperate with the State, and any law enforcement or regulatory officials, credit reporting companies, and credit card associations investigating such Security Breach. The State shall make the final decision on notifying the State's persons, entities, employees, service providers and/or the public of such Security Breach, and the implementation of the remediation plan. If a notification to a customer is required under any Law or pursuant to any of the State's privacy or

security policies, then notifications to all persons and entities who are affected by the same event (as reasonably determined by the State) shall be considered legally required.

- h) Notification Related Costs. Vendor shall reimburse the State for all Notification Related Costs incurred by the State arising out of or in connection with any such Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Agreement resulting in a requirement for legally required notifications. "Notification Related Costs" shall include the State's internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (1) preparation and mailing or other transmission of legally required notifications; (2) preparation and mailing or other transmission of such other communications to customers, agents or others as the State deems reasonably appropriate; (3) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (4) public relations and other similar crisis management services; (5) legal and accounting fees and expenses associated with the State's investigation of and response to such event; and (6) costs for credit reporting services that are associated with legally required notifications or are advisable, in the State's opinion, under the circumstances. If the Vendor becomes aware of any Security Breach which is not due to Vendor acts or omissions other than in accordance with the terms of the Agreement, Vendor shall immediately notify the State of such Security Breach, and the parties shall reasonably cooperate regarding which of the foregoing or other activities may be appropriate under the circumstances, including any applicable Charges for the same.
- i) Vendor shall allow the State reasonable access to Services security logs, latency statistics, and other related Services security data that affect this Agreement and the State's Data, at no cost to the State.
- j) In the course of normal operations, it may become necessary for Vendor to copy or move Data to another storage destination on its online system, and delete the Data found in the original location. In any such event, the Vendor shall preserve and maintain the content and integrity of the Data, except by prior written notice to, and prior written approval by, the State.
- k) Remote access to Data from outside the continental United States, including, without limitation, remote access to Data by authorized Services support staff in identified support centers, is prohibited unless approved in advance by the State Chief Information Officer or the Using Agency.
- l) In the event of temporary loss of access to Services, Vendor shall promptly restore continuity of Services, restore Data in accordance with this Agreement and as may be set forth in an SLA, restore accessibility of Data and the Services to meet the performance requirements stated herein or in an SLA. As a result, Service Level remedies will become available to the State as provided herein, in the SLA or other agreed and relevant documents. Failure to promptly remedy any such temporary loss of access may result in the State exercising its options for assessing damages under this Agreement.
- m) In the event of disaster or catastrophic failure that results in significant State Data loss or extended loss of access to Data or Services, Vendor shall notify the State by the fastest means available and in writing, with additional notification provided to the State Chief Information Officer or designee of the contracting agency. Vendor shall provide such notification within twenty-four (24) hours after Vendor reasonably believes there has been such a disaster or catastrophic failure. In the notification, Vendor shall inform the State of:
 - (1) The scale and quantity of the State Data loss;
 - (2) What Vendor has done or will do to recover the State Data from backups and mitigate any deleterious effect of the State Data and Services loss; and
 - (3) What corrective action Vendor has taken or will take to prevent future State Data and Services loss.
 - (4) If Vendor fails to respond immediately and remedy the failure, the State may exercise its options for assessing damages or other remedies under this Agreement.

Vendor shall investigate the disaster or catastrophic failure and shall share the report of the investigation with the State. The State and/or its authorized agents shall have the right to lead (if required by law) or participate in the investigation. Vendor shall cooperate fully with the State, its agents and law enforcement.

- n) In the event of termination of this contract, cessation of business by the Vendor or other event preventing Vendor from continuing to provide the Services, Vendor shall not withhold the State Data or any other State confidential information or refuse for any reason, to promptly return to the State the State Data and any other State confidential information (including copies thereof) if requested to do so on such media as reasonably requested by the State, even if the State is then or is alleged to be in breach of the Agreement. As a part of Vendor's obligation to provide the State Data pursuant to this Paragraph 18) n), Vendor will also provide the State any data maps, documentation, software, or other materials necessary, including, without limitation, handwritten notes, materials, working papers or documentation, for the State to use, translate, interpret, extract and convert the State Data.
- o) Secure Data Disposal. When requested by the State, the Vendor shall destroy all requested data in all of its forms, for example: disk, CD/DVD, backup tape, and paper. Data shall be permanently deleted and shall not be recoverable, according to National Institute of Standards and Technology (NIST) approved methods and certificates of destruction shall be provided to the State.

Vendor shall select which level of clearance it would like to be reviewed and approved:

☐ Hosted on State Infrastructure

☒ Not Hosted on State Infrastructure

3.0 Section 13. ACCESS TO PERSONS AND RECORDS of the **North Carolina General Terms and Conditions** is revised and restated in its entirety as follows:

13. ACCESS TO PERSONS AND RECORDS:

- (a) During, and after the term hereof during the relevant period required for retention of records by State law (G.S. 121-5, 132-1 *et seq.*, typically five years), the State Auditor and any Purchasing Agency's internal auditors shall have access to persons and records related to the Contract to verify accounts and data affecting fees or performance under the Contract, as provided in G.S. 143-49(9). However, if any audit, litigation or other action arising out of or related in any way to this project is commenced before the end of such retention of records period, the records shall be retained for one (1) year after all issues arising out of the action are finally resolved or until the end of the record retentions period, whichever is later.
- (b) The following entities may audit the records of this contract during and after the term of the contract to verify accounts and data affecting fees or performance:
 - 1. The State Auditor.
 - 2. The internal auditors of the affected department, agency or institution.
 - 3. The Joint Legislative Commission on Governmental Operations and legislative employees whose primary responsibility is to provide professional or administrative services to the Commission.
- (c) The Joint Legislative Commission on Governmental Operations has the authority to:
 - 1. Study the efficiency, economy and effectiveness of any non-State entity receiving public funds.
 - 2. Evaluate the implementation of public policies, as articulated by enacted law, administrative rule, executive order, policy, or local ordinance, by any non-State entity receiving public funds.
 - 3. Investigate possible instances of misfeasance, malfeasance, nonfeasance, mismanagement, waste, abuse, or illegal conduct by officers and employees of a non-State entity receiving, directly or indirectly, public funds, as it relates to the officer's or employee's responsibilities regarding the receipt of public funds.
 - 4. Receive reports as required by law or as requested by the Commission.
 - 5. Access and review

- a. Any documents or records related to any contract awarded by a State agency, including the documents and records of the contractor, that the Commission determines will assist in verifying accounts or will contain data affecting fees or performance; and
- b. Any records related to any subcontract of a contract awarded by a State agency that is utilized to fulfill the contract, including, but not limited to (i) records related to the drafting and approval of the subcontract, and (ii) documents and records of the contractor or subcontractor that the Commission determines will assist in verifying accounts or will contain data affecting fees or performance.

(d) The Joint Legislative Commission on Governmental Operations has the power to:

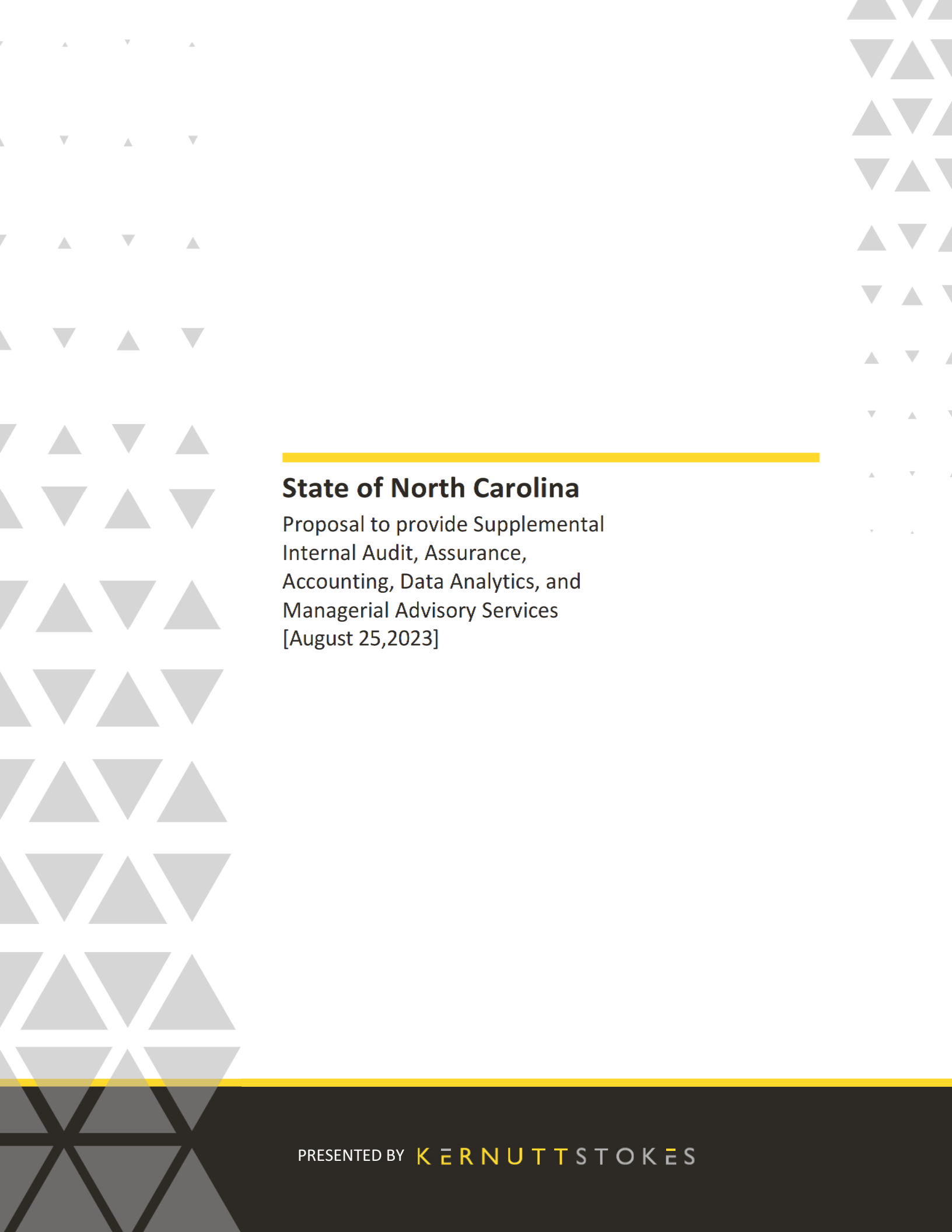
1. Compel access to any document or system of records held by a non-State entity receiving, directly or indirectly, public funds, to the extent the documents relate to the receipt, purpose or implementation of a program or service paid for with public funds.
2. Compel attendance of any officer or employee of any non-State entity receiving public funds, provided the officer or employee is responsible for implementing a program or providing a service paid for with public funds.

(e) Unless prohibited by federal law, the Commission and Commission staff in the discharge of their duties under this Article shall be provided access to any building or facility owned or leased by a non-State entity receiving public funds provided (i) the building or facility is used to implement a program or provide a service paid for with public funds and (ii) the access is reasonably related to the receipt, purpose, or implementation of a program or service paid for with public funds.

(f) Any confidential information obtained by the Commission shall remain confidential and is not a public record as defined in G.S. 132-1.

(g) Any document or information obtained or produced by Commission staff in furtherance of staff's duties to the Commission is confidential and is not a public record as defined in G.S. 132-1.

(h) A person who conceals, falsifies, or refuses to provide to the Commission any document, information, or access to any building or facility as required by this Article with the intent to mislead, impede, or interfere with the Commission's discharge of its duties under this Article shall be guilty of a Class 2 misdemeanor.

A decorative background pattern consisting of a grid of triangles. The triangles are arranged in a repeating pattern, with some pointing up and some pointing down. The triangles are in shades of gray, and the overall effect is a modern, geometric design.

State of North Carolina

Proposal to provide Supplemental
Internal Audit, Assurance,
Accounting, Data Analytics, and
Managerial Advisory Services
[August 25,2023]

1777 SW Chandler Ave. Suite #280
Bend, OR 97702
541-749-4020
Trevor Campbell
Proposal #DPC-646236801-MT

Proposal Number: DPC-646236801-MT

Vendor: Kernutt Stokes LLP

STATE OF NORTH CAROLINA

Division of Purchasing & Contract

Refer <u>ALL</u> Inquiries regarding this RFP to the procurement lead through the Message Board in the Sourcing Tool. See section 2.6 for details.	Request for Proposal #: DPC-646236801-MT
	Proposals will be publicly opened: August 22, 2023, @2:00 PM EST
Using Agency: STATEWIDE	Commodity No. and Description: 84111600 – Audit Services
Requisition No.: STC# 8411A	

EXECUTION

In compliance with this Request for Proposals (RFP), and subject to all the conditions herein, the undersigned Vendor offers and agrees to furnish and deliver any or all items upon which prices are bid, at the prices set opposite each item within the time specified herein.

By executing this proposal, the undersigned Vendor understands that false certification is a Class I felony and certifies that:

- this proposal is submitted competitively and without collusion (G.S. 143-54),
- none of its officers, directors, or owners of an unincorporated business entity has been convicted of any violations of Chapter 78A of the General Statutes, the Securities Act of 1933, or the Securities Exchange Act of 1934 (G.S. 143-59.2), and
- it is not an ineligible Vendor as set forth in G.S. 143-59.1.

Furthermore, by executing this proposal, the undersigned certifies to the best of Vendor's knowledge and belief, that:

- it and its principals are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any Federal or State department or agency.

As required by G.S. 143-48.5, the undersigned Vendor certifies that it, and each of its sub-Contractors for any Contract awarded as a result of this RFP, complies with the requirements of Article 2 of Chapter 64 of the NC General Statutes, including the requirement for each employer with more than 25 employees in North Carolina to verify the work authorization of its employees through the federal E-Verify system.

As required by Executive Order 24 (2017), the undersigned vendor certifies will comply with all Federal and State requirements concerning fair employment and that it does not and will not discriminate, harass, or retaliate against any employee in connection with performance of any Contract arising from this solicitation.

G.S. 133-32 and Executive Order 24 (2009) prohibit the offer to, or acceptance by, any State Employee associated with the preparing plans, specifications, estimates for public contracts; or awarding or administering public contracts; or inspecting or supervising delivery of the public contract of any gift from anyone with a contract with the State, or from any person seeking to do business with the State. By execution of this response to the RFP, the undersigned certifies, for Vendor's entire organization and its employees or agents, that Vendor is not aware that any such gift has been offered, accepted, or promised by any employees of your organization.

By executing this bid, Vendor certifies that it has read and agreed to the **INSTRUCTION TO VENDORS** and the **NORTH CAROLINA GENERAL TERMS AND CONDITIONS** incorporated herein. These documents can be accessed from the Ariba Sourcing Tool.

Failure to execute/sign proposal prior to submittal may render proposal invalid and it MAY BE REJECTED. Late proposals shall not be accepted.

COMPLETE/FORMAL NAME OF VENDOR: Kernutt Stokes LLP		
STREET ADDRESS: 1777 SW Chandler Ave. Suite 280	P.O. BOX:	ZIP: 97701
CITY & STATE & ZIP: Bend OR, 97701	TELEPHONE NUMBER: 541-749-4020	TOLL FREE TEL. NO:
PRINCIPAL PLACE OF BUSINESS ADDRESS IF DIFFERENT FROM ABOVE (SEE INSTRUCTIONS TO VENDORS ITEM #21): Other Office: 1600 Executive Parkway, Suite 110, Eugene, OR 97401		
PRINT NAME & TITLE OF PERSON SIGNING ON BEHALF OF VENDOR: Trevor Campbell, Partner		FAX NUMBER:

Proposal Number: DPC-646236801-MT

Vendor: Kernutt Stokes LLP

VENDOR'S AUTHORIZED SIGNATURE: 	DATE: August, 24, 2023	EMAIL: tcampbell@kernuttstokes.com
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VALIDITY PERIOD

Offer shall be valid for at least 120 days from date of bid opening, unless otherwise stated here: _____ days, or if extended by mutual agreement of the parties in writing. Any withdrawal of this offer shall be made in writing, effective upon receipt by the agency issuing this RFP.

ACCEPTANCE OF PROPOSAL

If your proposal is accepted, all provisions of this RFP, along with the written results of any negotiations, shall constitute the written agreement between the parties ("Contract"). The NORTH CAROLINA GENERAL TERMS AND CONDITIONS are incorporated herein and shall apply. Depending upon the Services being offered, other terms and conditions may apply, as mutually agreed.

FOR STATE USE ONLY: Offer accepted and Contract awarded this _____ day of _____, 20____, as indicated on

The attached certification, by _____.

(Authorized Representative of Division of Purchase and Contract)

SOLICITATION NUMBER: DPC-646236801-MT
ADDENDUM NUMBER: 3

Check **ONLY ONE** of the following options and return one properly executed copy of this Addendum prior to the Solicitation opening time and date.

- ☐ A response was submitted prior to this Addendum. An updated response has been submitted to address the changes resulting from this Addendum.
- ☐ A response was submitted prior to this Addendum. **NO CHANGES** have resulted from this Addendum.
- ☒ A response was **not** submitted prior to this Addendum. **ANY CHANGES** resulting from this Addendum are included in our response.

ALL OTHER TERMS AND CONDITIONS REMAIN THE SAME

	August 24, 2023
Authorized Signature	Date
Trever Campbell	Partner
Printed Name	Title

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EXECUTIVE SUMMARY

Thank you for the opportunity to submit a proposal to the State of North Carolina and the Division of Administration and Purchase and Contract (DOA P&C) to provide supplemental internal audit, assurance, accounting, data analytics, and managerial advisory services. We believe a partnership with you would contribute to the long-term sustainability of the DOA P&C and would help uphold your commitment to provide leadership to state government for the effective, efficient, economical, and equitable delivery of services to the public. In alignment with the DOA P&C's values of equity and advocating for the underserved, we at Kernutt Stokes believe that people come first, that integrity is about doing what is right and not what is easy, that we have a responsibility to deliver excellence in all that we do, and we desire to build strong relationships with our clients by learning as much as we can about your business and its inner workings.

You will find Kernutt Stokes to be the best fit for the DOA P&C's needs because:

Staffing - We are committed to tailoring the perfect team to meet your individual needs. We build our team with Certified Public Accountants (CPA), Certified Internal Auditors (CIA), and Certified Fraud Examiners (CFE). They are not just at your disposal but are the acting management and staff on your engagements. The combined training and experience of our dynamic team is unsurpassed.

Quality - Our firm complies with all professional and industry standards, and we individually hold ourselves accountable to ensure our projects are of the highest quality.

Organization – Kernutt Stokes is the right kind of organization to work with the North Carolina DOA P&C. We can provide high quality service without sacrificing personal touch. We have depth within our firm and through our alliance with BDO that gives us access to resources to solve any question or problem that we encounter.

Approach – Our work on any project begins with us understanding your specific goals for each area of service. Every plan we create is specifically tailored to produce the best possible outcome. We analyze current operations and design customized recommendations not only based on best practices and benchmarks, but also based on what makes the most sense for your agency. We treat every agency and department as a unique organization, and we design our services uniquely to meet your needs.

Transparency - Our work is committed to transparency. We believe it is of crucial importance to provide you with information that is as objective as possible.

Experience – Kernutt Stokes has provided internal control and forensic consulting services to businesses and organizations for over 75 years. We work with you to mitigate risk, increase efficiency, serve your customers, maximize financial returns, and minimize expenditures. The strategies and best practices we have learned over the years, while providing audit and consulting services, create a vast pool of resources for us to draw from in advising on innovative solutions to any issue that may arise.

We look forward to the opportunity to showcase how our approach to client service can make a difference for the North Carolina DOA P&C.

TECHNICAL APPROACH AND TIMELINE

We are proposing to provide the following services:

- Risk Assessment and Audit Plan Development
- Operation/Performance Audit
- Financial Audit
- Compliance Audit
- Investigative Audit

In 1945, Kernutt Stokes was founded on the idea that you should be able to count on your CPA firm to provide sound, real-world financial advice that serves you now and into the future. For the last 77 years we have been applying this practical, relationship-oriented approach, growing the firm to include four offices throughout Oregon (Eugene, Corvallis, Bend, and Lake Oswego), 15 partners, and close to 100 employees.

Over the years we have responded to client needs with a full range of high-value services including internal audits, external financial statement audits (for-profit, not-for-profit, and government), retirement plan audits, organizational consulting, tax services, fraud and forensics, internal control consulting, and virtual accounting services. We have provided financial audit services for more than seventy years, we have had CFEs on staff performing fraud investigations and fraud consulting for more than 20 years, we have had a focused practice area of providing internal audit services for the last eight years, and we are a qualified vendor of internal audit services for the State of Oregon and the State of Texas. Kernutt Stokes serves clients in the manufacturing, distribution, professional services, agribusiness, finance, real estate, transportation, local government, higher education, insurance, and healthcare industries.

We pride ourselves on our knowledge and understanding of our clients. Based on our experience working with many different types of organizations, we have a service approach in place to consistently produce high quality results in an efficient manner. It is our goal to be a valued partner to you. We realize that timing is an important aspect of quality service and will carefully coordinate our work and delivery timelines with you to ensure all your expectations are met.

At Kernutt Stokes, we believe in a forward-thinking approach that encourages flexibility according to the needs of each organization. By no means does uniformity overshadow the continuous critical thinking of our key professionals. We will innovate and prepare effective and efficient approaches specific to your situations and retirement plans. As a result, our assignments, and their outcomes, become more interesting, enjoyable, and valuable for all involved.

Along with effective communication, the use of technology and creative analytical tools, we will serve your needs for internal audit through the following key components of our process:

- Thoughtful planning and risk assessments that create efficiency
- Committed staff that work with your schedules and respect your time
- Continuous communication
- Interaction with staff, management, and other shareholders to develop an understanding of needs
- Strictly kept deadlines

Kernutt Stokes will exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. We will make an unbiased and balanced assessment of all the relevant circumstances and not be unduly influenced by our own interests or by others in forming judgments.

We adhere to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of our performance when providing internal audit services.

Members of our internal audit team are responsible for maintaining the standards of conduct, independence, and character necessary to provide proper and meaningful internal auditing.

Many of the engagements we can perform will share a common approach. In particular, the planning and administrative components of Operational/Performance Audits and Compliance Audits will be similar, even though the focus and topics of the audits will vary.

Kernutt Stokes has a well-developed risk assessment model that begins with determining the audit units within an organization or agency. In many cases the audit units will be aligned with the State's departments, although it may also refer to a specific activity or other function that operates outside of department structures or requires multi-department collaboration. Collectively these have been referred to as the Departments throughout this proposal.

PLANNING

Once the Kernutt Stokes team is engaged to perform an operational/performance audit or compliance audit, the first step is for the senior members of our team to meet with the State and Department management of the area to be audited to discuss the engagement, unless the audit is intended to be a surprise audit.

During the initial kick-off meeting we will discuss the intended scope and timing of the engagement, deliverables and deadlines, and planned communication methods (i.e., primary contacts, frequency, and preferred method such as: email, phone, video conferences, or in person meetings). We have found that the best and only way an internal audit can operate effectively is by establishing shared expectations with frequent and open communication right from the start.

Following the kick-off meeting, we hold an internal planning meeting with our engagement staff. In this meeting all members of the Kernutt Stokes team are assigned their roles on the engagement. The team will discuss the overall engagement, budget, responsibilities of each team member, and the expected timeline for completion.

After the planning meeting, we will begin to gain an understanding of the Department to be audited. It is imperative that we understand the specific area to be audited as well as possible so that we design and perform the engagement to address specific risks and maximize the efficiency with which it is performed.

To do this, Kernutt Stokes will view internally sourced documents such as departmental policy and procedure manuals, employee handbooks, and other relevant documents. We will review these for efficiency, completeness, and effectiveness. We will also utilize externally sourced documents such as department website information, relevant reports or publications that have been issued prior to the audit, and other public facing documents that could provide meaningful information about the area to be audited. We may also interview

personnel and perform walkthroughs of certain tasks or processes to verify whether the way things “are supposed to be done” is the way things “are actually done.”

Through this process, Kernutt Stokes will gain an in-depth understanding of the various compliance requirements, performance goals, or financial objectives of the Department. This will be accomplished through research into authoritative sources and review of regulations. Kernutt Stokes will review reporting requirements and evaluate the consequences of non-compliance. Even when the audit is focused on a specific area, such as compliance with a particular contract or state statute, Kernutt Stokes will aim to identify further opportunities for improvement. Examples include strengthened policy development, more efficient or effective procedures, and refined or better enforced internal controls.

Throughout this process, Kernutt Stokes will stay in contact with the State and Department management, working together to finalize any scope or timing matters that we may need changed based on the information we are receiving. For example, the scope could be narrowed or broadened by the number of years under audit or the number of locations that will be included in testing. Whenever possible, the timing will be coordinated to avoid scheduling conflicts with other responsibilities that individuals in the audited area may have.

Once these logistical matters have been addressed, Kernutt Stokes will begin building specific audit programs and a client request list. The audit programs define all the steps Kernutt Stokes will use to complete every phase of the audit. The client request list is the tool we use to continuously communicate status and receive the items and information needed to complete the audit. Kernutt Stokes currently uses Suralink, which is the industry leading software for audit request list management to ensure this part of the engagement goes as smoothly and seamlessly as possible for our engagement teams and, more importantly, our clients. This means less time and energy is spent on redundant requests or miscommunication, and more time is spent performing the audit and looking for solutions.

FIELDWORK

Once the planning phase is complete, and the timing has been agreed upon with all parties, fieldwork will commence. Fieldwork may consist of many things, including:

- substantive and detail testing
- testing controls and evaluating inputs/outputs from systems
- further interviews and working closely with department staff

Substantive testing constitutes the majority of internal audit work for most audits. Substantive testing entails measuring and comparing specific data attributes pertinent to the area under audit, often against pre-established expectations. Examples of substantive tests include confirmation of accounts with third-parties, observation of inventory or other assets, and recalculation or reperformance of calculations or processes. Kernutt Stokes will make testing selections from data provided by the Department through our request list software, and substantively test the selections for a variety of things depending on the type of audit such as:

- financial accuracy
- consistency with policies and procedures
- compliance with applicable rules and regulations
- comparison with benchmarks

- efficiency and effectiveness
- other quantitative and qualitative measures
- assessment of control processes
- independent assessment of governance
- risk management
- procurement process and contracts
- review existing infrastructure and technology

Tests of controls will be used to evaluate the Department's internal controls and focus on the creation, modification, and security of data, ensuring accurate processes that mitigate fraud and error. Through walkthroughs performed during the planning stage, we will have gained an understanding of the controls that are in place. During fieldwork, we will test those controls by reviewing for approvals, signoffs, appropriate posting of notices in public places, limitations placed on user access, consistency of results, compliance with internally developed policies and procedures, etc. Depending on the type of audit, testing controls may also include evaluating the inputs and outputs from various systems used by the Department.

Interviews will be administered throughout fieldwork for a variety of purposes. In addition to providing increased comprehension of the area under audit, interviews will allow Kernutt Stokes an opportunity to pursue increased efficiencies with ideas and recommendations from management and staff, those who know the area under audit best. When it comes to internal audits, both Kernutt Stokes and DOA P&C are pursuing the same goal: to develop and implement the best practices and most effective processes possible.

The logistics of how fieldwork is completed may vary from audit to audit. In many cases fieldwork will be able to be accomplished remotely with Kernutt Stokes working from our offices and communicating with State and Department management and staff via email, phone, and video conferences. Our team is well accustomed to a remote audit environment and has invested in the tools and resources necessary to make that a feasible option for our clients without sacrificing the quality of our service. However, we are also capable and willing to work directly on-site when it is necessitated by the specific audit to be performed. On-site work can span from several days to multiple weeks and is entirely adaptable to the circumstances and needs of the audit.

REPORTING

Following fieldwork, Kernutt Stokes will draft the internal audit report. This report includes a summary of all areas audited and any corresponding findings, observations, and process improvement recommendations (PIR), as they may apply. A finding is the most serious in nature and is defined as a breakdown or partial breakdown that leads to a potential failure of the Department's objectives that requires immediate corrective action. An observation is a minor deviation from an otherwise well-implemented process. It will require noting in the audit report and should be evaluated and corrected as resources and time allow. PIRs are potential improvement opportunities that do not require action but are encouraged for improvement. Kernutt Stokes will sort all potential issues into one of these three categories and provide recommendations for resolving each.

After a comprehensive report is drafted, the Department's management will have the opportunity to review each potential issue and its corresponding recommendation. Communication during this process is extremely important. If management disagrees with an issue identified in the audit report, this will be the time to discuss and come to an understanding. All findings, observations, and PIRs included in the final audit report must be factually correct and agreed upon by both parties before the report is deemed ready for issuance. We will work diligently with management to ensure all issues have appropriate recommendations and all recommendations

are practical, and attainable. We believe that the best solutions are not only technically accurate, but they must also be practical and have appropriate buy-in from those carrying out the changes. We pride ourselves on never creating cookie cutter solutions by tailoring each recommendation so that it considers the Department's skills and resources as well. Once Kernutt Stokes and management have come to an agreement on the issues, management will have the opportunity to respond to our recommendations with their intended action plan. The response from management will be included in the final audit report and will contain a detailed action plan on how the Department intends to implement the recommendation. Management's response will also establish a timeframe by which each recommendation and the associated action plan steps will be fully implemented.

The final draft of the internal audit report will then go to the State and others overseeing the internal audit function, if applicable. The internal audit report, our recommendations, and management's responses will be reviewed. Questions concerning the report will be directed to Kernutt Stokes and the Department management. With management's support, we will issue the final internal audit report and copies will be distributed to all relevant parties.

MANAGEMENT/AUDIT COMMITTEE PRESENTATION

At the States's discretion, Kernutt Stokes will present the report findings and other relevant information to management and State leadership. Presentation frequency can be annual, quarterly, or more often depending on the amount of work we have completed and the organization's preference. Presentations may be conducted based on the request of the State and can be in-person or through online presentation and video conferencing tools. These meetings will provide us with the opportunity to answer any questions the full audit committee may have about current or previous audit results, ongoing projects, or future engagements. We will also retain any necessary paperwork for a minimum of ten years, as requested by the State, and make it readily available as needed.

FOLLOW-UP

Intentions to fix issues are only good if they are carried out. Having an internal audit function that follows up is key to ensuring this occurs. Once the audit is complete, the issues have been identified, and plans to address them are in place, Kernutt Stokes recommends following up with the Department to ensure recommendations were implemented as described in the audit report. The time chosen for follow-up takes the recommendation implementation deadlines into account; while not all recommendations must be implemented prior to follow-up, the progress made towards all recommendations will be considered. How long a follow-up takes depends on how many issues were identified in the original audit and how complex the action plans are to address them. Audits with a substantial number of recommendations will require more time during the follow-up audit while those with fewer recommendations, or even none, may not require a follow-up at all. We tailor our follow-up audit steps based on the specific issues identified. Typical steps in the follow-up are the same as in the initial fieldwork but will primarily focus on interviews, detail testing, and physical observation, with a more refined scope.

Risk Assessments

A risk assessment is meant to provide the State with enough information to align its resources with processes that pose the highest risk to the specific Department's ability to achieve its objectives. Additionally, it is designed to provide a comprehensive risk profile of the Department which could aid in strategic decision making and optimal allocation of resources.

The risk assessment is a highly collaborative process facilitated by Kernutt Stokes, which is designed to cast a wide net to understand the Department's full risk profile. Tools used to develop the risk assessment will include surveys of staff, strategic interviews with management and staff, and personal observation of the work environment and tasks performed. How each of these components is utilized will depend in part on how long it has been since the area last had a risk assessment performed and how well documented that assessment was.

For an area that has never had a risk assessment performed the process will be more extensive. We have developed a 100 question survey designed to gather a baseline of information and data. We have found this to be very valuable in multiple organizations we have worked with. For example, in one organization it was discovered through the survey and follow-up interviews that most people in the organization either did not know about the whistleblower hotline, or worse, did not believe it was anonymous and therefore would never use it. When this was brought to light, the organization was able to respond to address these issues and now has a robust process in place to help detect potential fraud while also improving the work environment that led people to distrust their anonymity.

Once a foundation of understanding is developed, we perform targeted interviews with organizational leaders and department heads to revise and update previous assessments. The risk assessment is always a fluid document, because as risks are identified and then addressed, they naturally become less risky, while others rise to the forefront. In 2019 the risk of a nation-wide government shutdown would likely not have appeared in a comprehensive risk assessment for most organizations, while one year later in 2020 it would have been at the top of every list.

Once each audit area is defined, we measure the risk of each area to the Department as a whole and identify the highest risk activities.

Risk is measured according to three criteria: Impact, Likelihood, and Velocity.

Impact is the extent of the consequences a risk could have on the Department and ranges from incidental to extreme. Impact is looked at across six categories:

- Strategic Risk - Impairment to implementation of the strategic mission of the Department
- Operational Risk - Impairment of the ability to carry out the operations of the Department
- Compliance Risk - Failure to comply with laws, regulations, and policies
- Financial Risk - Loss of financial resources, assets, or opportunities
- Reputational Risk - Public image or reputation is damaged by actions of an area or individuals connected to the Department.
- Safety Risk – Unsafe environment resulting in physical harm or damage

Below is an example of a risk chart developed for one of our current clients. Risk charts would be customized for each area receiving a risk assessment:

Descriptor	Strategic	Operational	Compliance	Financial	Reputational	Safety
Extreme	Loss of confidence by all stakeholder groups. Potential closing of Institution.	Enterprise wide. Inability to continue normal operations across entire Institution. Multiple board members or senior leaders leave.	Board and/or management indictments. Significant prosecution and fines. Large scale legal action. Regulatory sanctions.	Financial cost or lost opportunity greater than \$5M	Significant and long-term national negative media coverage. Major loss of market share.	Loss of life
Major	Loss of confidence by two or more stakeholder groups. Multiple changes in senior leadership. Significant changes to Institution's strategic plan. Potential closing of multiple Institution branches or services.	Significant interruptions to Institution operations. Some senior leaders leave. High turnover of experienced staff. Not perceived as an employer of choice.	Management challenges. Large legal liabilities. Reports to regulators requiring major corrective action. Regulatory fines.	Financial cost or lost opportunity between \$1M - \$5M	Substantial state-wide media coverage. Potentially temporary or remediable situation. Significant loss of market share.	Permanent or significant injury
Moderate	Loss of confidence by more than one stakeholder group. Changes in senior leadership or staffing. Significant changes to Institution's execution of strategic plan.	Moderate interruptions to Institution operations. Widespread staff morale problems and high turnover.	Review of management decisions. Legal action considered or reserved for. Report of breach to regulator with immediate corrective action implemented. Regulatory investigation.	Financial cost or lost opportunity between \$100K - \$1M	Minor local media coverage. Likely temporary and remediable. Potential harm to market share.	Minor injury
Minor	Loss of confidence by one stakeholder group. Refinements or adjustments to Institution's strategic plan and/or execution.	Minor interruptions to Institution operations. General staff morale problems and increasing turnover.	Management unaffected. Minimal liabilities. Reportable incident to regulator with no follow-up required. Increased regulatory attention.	Financial cost or lost opportunity between \$25K - \$100K	Local media coverage easily remedied. No harm to market share.	Chance of injury and perception of danger
Incidental	Minor concern by 1 or more stakeholder groups. Minimal or no changes to Institution plans.	Minimal or no interruption to Institution operations. Isolated staff dissatisfaction.	Minimal or no liabilities. Not reportable to regulator. No regulatory impact.	Financial cost or lost opportunity less than \$25K	No impact	No injuries, perception of safety

Likelihood is how likely it is that a risk will occur and impact the institution. Likelihood is evaluated using the following factors:

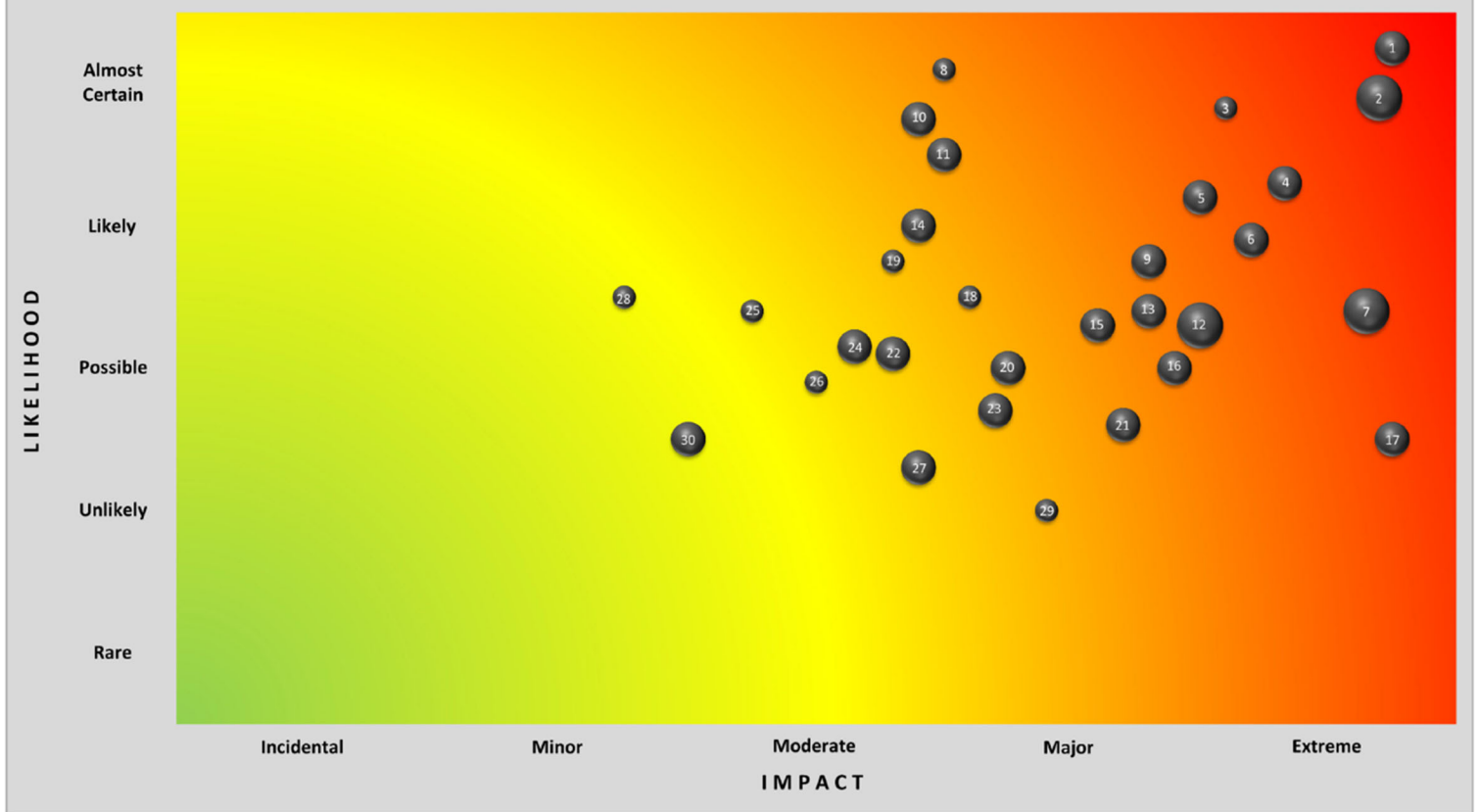
Descriptor	Frequency		Probability
Almost Certain	Immediate	Very often or expected	90% chance
Likely	<= 3 months	Often or multiple times per year	60%-90% chance
Possible	12 months	Periodically or annually	30%-60% chance
Unlikely	24 months	Occasionally or bi-annually	10%-30% chance
Rare	60 months	Rarely or remote possibility	<10% chance

Velocity is the speed at which a risk can occur and have a material impact on the Department and is evaluated as follows:

Descriptor	Speed	Time Period
Fast	Rapid or instantaneous onset with little or no warning	Occurs within hours or a few days
Moderate	Quick onset with some warning requiring a response	Occurs in a matter of a couple of weeks or months
Slow	Slow onset with enough warning to attempt remedy	Occurs over many months or years

Using these three measurements Kernutt Stokes will plot the Department's risks on a heat map to give a visual that accompanies any narrative developed. In the heat map, impact is represented on the horizontal access, likelihood is represented on the vertical access, and velocity is represented by the size of the plotted point. We believe that the heat map is one of the fastest, most intuitive, and easy to understand tools an organization can use to evaluate their risks and then make the appropriate plans to address them. Below is an example of a heat map where each number would represent a specific risk to an area. Note that risks may span more than one area, which would be more fully described in the narrative component.

Heat Map: Internal Audit Risk Ranking



Using the above visual consider the plotted points 2, 17, and 28:

Number 2 is shown to have an extreme impact with almost certain likelihood, and the large dot says that the velocity will be fast. An example of this type of risk would be cybersecurity. A ransomware attack can happen instantaneously, could cause millions of dollars' worth of damage, and if the organization does not have proper controls in place, it is almost certain to occur.

Now consider number 17, which also has an extreme impact, but is unlikely to occur, and may come with moderate warning. An example of this type of risk may be something like a natural disaster, such as wildfire. In many cases this could be anticipated as fire season approaches, and while catastrophic loss is not expected, it will be incredibly impactful if it does occur.

Finally consider number 28 which is possible or likely to occur, but which will have a very minor impact if it does occur and will be slow to onset with enough warning to remedy. An example of this type of risk would be poor controls over cashing or cash handling where dollar amounts are not significant for the transactions being processed. While it is likely that mistakes will be made from time to time, they will also probably be for small dollar amounts and will take a long time to build to a level that would cause significant concern.

Risk Assessment and Audit Plan Development - Timeline and Budget

The ideal timeline to complete a risk assessment and develop an audit plan should fall into a range of 4 to 8 weeks with the longer time being for first time risk assessments and the shorter time being for continuing/updated risk assessments:

- Planning – 1 to 2 weeks
- Surveys (if applicable) – 1 to 2 weeks
- Observations (if applicable) – 1 day to 1 week
- Interviews – 1 to 2 weeks
- Report Development – 1 to 2 weeks
- Management Input – 1 to 2 weeks

Operations/Performance Audit Approach

Operations/performance audits can assist the State to be proactive and prosper regardless of what unexpected situations may arise. Operations/performance audits examine the use of resources to evaluate whether they are being used in the most effective and efficient manner to fulfill the Department's mission and objectives. From key performance indicators to benchmarks and personalized performance measurements, we evaluate performance from several perspectives to ensure comprehensive coverage of efficiencies. Kernutt Stokes' wide variety of client industries served, and project experiences provides us with the knowledge and tools to assess best practices within any activity.

Kernutt Stokes is a member of the BDO Alliance, one of the nation's largest associations of accounting and professional service firms. The Alliance includes firms from nearly every state with a comprehensive range of services that stand as a consistent resource for Kernutt Stokes. By supplementing our services, the BDO Alliance allows us to enhance our client services and broaden our capabilities, gain greater technical knowledge in specialty areas, utilize professionals with experience in a wide range of industries, access the most up-to-date information, and participate in the latest training programs. We use BDO's expertise as a part of our strategy to bring optimal value to our clients.

We always want to provide our clients with the best information possible. We attend industry conferences, join professional organizations, and subscribe to research tools to provide us, and by extension you, with the economic, demographic, and market data needed to maximize your potential.

Since performance is evaluated in many ways, the procedures for testing and evaluating performance must be customized and fluid. Below are some examples of performance risks areas that may be faced and how Kernutt Stokes would address them through internal audit procedures:

- All organizations have a risk that their employees are either not working a full workload or are being undercompensated for the workload they are doing. To ensure employee workloads and compensation are appropriate, Kernutt Stokes would review workload policies and procedures and job descriptions for reasonableness and obtain an understanding of how employee workload is planned, approved, and tracked. Then, we would obtain a listing of employees and their scheduled workload for the period under audit and utilize data analysis software to review errors, outliers, and other indicators of misuse of employee workload process. Anomalies would be further investigated with interviews and further analysis to determine if there are appropriate explanations.
- Another employee-related performance risk is that employees may not be granted leave or may not be using accrued leave, which could lead to significant accrued liabilities for compensated absences. This could lead to both cash-flow and staffing shortages if not managed well in the future. After obtaining an understanding of policies and procedures for accruing and using leave time, Kernutt Stokes would review the policies and procedures for reasonableness and compare them to similar departments, other industry standards, or legal obligations. We would select a sample of employees from the area under audit and obtain records of their accrued leave and used leave time. That data would be used to evaluate whether the employee accruing leave has met all the requirements, to recalculate their vacation and sick leave accruals, and to compare expectations to actual amounts earned. For employees that did not use any accrued leave in the period under audit, we would select a sample and obtain documentation for any requested or approved leave over the same period. Additionally, we may interview other management and staff regarding typical practices for requesting and using leave time.

- Emergency management procedures are another performance risk that all organizations should be prepared for. The risk of emergency management procedures being outdated or otherwise ill-suited for the State can create preventable problems in the future. To ensure that the emergency management procedures are best suited to protect the Department(s), Kernutt Stokes would obtain the current policies and procedures and evaluate them for reasonableness compared to other industry standards. We would determine whether the procedures clearly identify things like evacuation routes, leadership roles, means of communication, etc. We would confirm copies of all emergency preparedness documents are made available to employees and provided in a timely manner. We would confirm emergency protocols are addressed for relevant locations and review fire drill records for occurrence and conduct in accordance with policies. We would review service records of fire extinguishers, elevators, fire alarms, and other equipment. We would also review the incident and complaint log for the period under audit and inquire of abnormal entries, as necessary.

Financial Audit Approach

Financial audits focus on accounting and reporting of financial transactions, including commitments, authorizations, receipt, and disbursement of funds. This type of audit verifies that there are sufficient controls over cash and other assets, and that there are adequate process controls over the acquisition and use of resources. Financial audits are used to make sure that the financial information being presented is accurate, representative of the activities of the State, and is presented fairly in all material respects. Kernutt Stokes strives to make the communication of results as helpful as possible and to tailor our reports to meet the requirements and be understandable to users, whether it be according to accounting principles generally accepted in the United States of America (GAAP), the government accounting standards board (GASB), the international financial reporting standards (IFRS), or another reporting framework. Our audits will be conducted to meet Institute of Internal Audit or Generally Accepted Government Auditing Standards.

Below are some examples of financial risks audit areas may face and how Kernutt Stokes would address them through internal audit procedures:

- Management and protection of assets and financial resources is a financial risk all organizations face. To ensure financial resources are being used responsibly, Kernutt Stokes would obtain budget reports that identify the revenues and expenditures and identify significant expenditures for a sample selection. The selection of significant expenditures would be reviewed for adherence to applicable policy, compliance with any restrictions, adequacy of documentation, proper approvals, and comparison to budgets, as necessary. We would evaluate the results and expand testing as required. Pertaining to revenues, we would make a judgmental selection of significant revenues and trace them to deposits in the appropriate accounts, review them for timeliness of deposit, and evaluate results to determine if expanded testing is required.
- The risk of inadequate controls over cash handling can lead to error and fraud when left unchecked. To evaluate controls and provide assurance that protections around cash are appropriate, Kernutt Stokes would obtain a listing of all events and activities that involve cash collection by staff. We would then review any documented policies and procedures in place for clarity and efficiency. We would observe multiple cash handling activities in action (at times this may be performed covertly) to evaluate whether they appear to be following prescribed procedures for the type of activity. We will also review for timely collection and deposit of cash collections, physical security of cash, and segregation of duties throughout the process. Finally, we would trace the receipt of cash to the recording in the financial records to ensure they match.

- The risk that fixed assets may not be approved, tracked, or replaced sufficiently can have a huge effect on asset utilization and efficiency. To mitigate this risk, Kernutt Stokes would obtain an understanding of the fixed asset approval and tracking process and evaluate for reasonableness and efficiency. We would then scan the list of additions for the year for reasonableness of amounts capitalized compared to the descriptions of assets acquired and the nature of the Department's business. We would make a judgmental sample of fixed assets and examine supporting documents such as purchase orders, notes payable, paid checks, vendors' invoices, purchase contracts, and receiving reports. We would also physically inspect selected assets for proof of existence, documented location, and condition. Kernutt Stokes can provide a variety of methods to provide assurance that your financial statements, budget reports, or other financial reports best represent the necessary information for their users.

Compliance Audit Approach

Compliance audits focus on adherence to contracts, policies, procedures, laws, and regulations. The risk of noncompliance can include loss of funding, tarnished reputation, and potential legal exposure. Compliance audits can also reveal inefficient processes that result from issues such as over-documentation or redundant controls, which can also be harmful to the Department. Kernutt Stokes can offer the peace of mind that comes with knowing your procedures are not too big, not too small, but just right for the needs of the Department.

Below are some examples of compliance risks some Departments may face and how Kernutt Stokes would address them through internal audit procedures:

- Capital projects present major opportunities for organizations to protect their assets through compliance audits. A well-planned audit of capital projects begins at the early stage of contracting to ensure the correct language is in place to give the organization access to the books and records of the contractor throughout the project. Throughout the construction phase reviews should be performed to ensure the contractor and subcontractors are using the agreed-upon materials, contracted rates, etc. A carefully, and intentionally, worded contract can allow the organization to recoup losses if any substitute materials are used or other errors are found during the audit process.
- Business email compromise is a major risk facing all organizations. A single email could lock down an entire network and lead to major data loss, huge financial consequences, or public image nightmares. Despite this risk many organizations lack a well thought out plan, training, and the ongoing review it takes to create an atmosphere of diligence that can prevent these attacks. Kernutt Stokes can help identify the gaps in the current culture of a department, and then work to create a strategy to patch those gaps. Clearly defined expectations and ongoing review are needed to ensure everyone remains compliant with the organization's approach to defense in this area.
- Another example of compliance comes in the form of testing grant contracts for adherence to spending and reporting requirements. To ensure requirements are being met, we would obtain a listing of all grants for a specific period (decided during the scope discussion during planning) and select a sample from the listing of grants to review. Each grant selected will be reviewed for clear lines of organizational authority and responsibility by confirming approval via appropriate signatures (physical or digital) according to the requirements by both the City and the granting agency.

- Other risks include inappropriate disclosure of confidential information, such as information protected under HIPAA. To confirm that protected information is appropriately secured, Kernutt Stokes would obtain and review a listing of employees with access to protected information. We would select a sample of individuals with access and determine whether their title, job description, or professional certifications warrant access to such protected information. We would also review IT controls over the protected information that should be designed to restrict unauthorized access. Additionally, we would review the information release request process, along with sampling actual information releases, to verify that external parties are not being granted access to personal health information without first meeting all the requirements to obtain that access.

Timeline and Budget

The ideal timeline for compliance, performance, or financial internal audits should be 6 to 12 weeks:

- Planning – 1 to 2 weeks
- On-site Fieldwork (if applicable) – 3 days to 1 week
- Remote Fieldwork (following on-site fieldwork) – 1 to 4 weeks
- Report Drafting – 2 to 3 weeks
- Management Response – 1 to 2 weeks
- Follow-up – based on the number of issues. Typically 1 day to 1 week

Every audit is unique, and the budget will be based on the specific scope and risk associated with each project. In our work with other organizations as internal auditors we have performed audits as small as 90 hours and as large as 500 hours, with most audits landing somewhere in between. For planning and coordination, we typically describe our internal audits with other organizations in two categories that we describe as large and small audits. Large audits typically take between 250-500 hours to complete. These projects are large in scope of time periods reviewed and look at departments or functions that are very complex. Small audits are typically between 100-200 hours. In most organizations we recommend that a healthy internal audit function should include a combination of large and small audits each year.

Below is an example of a typical budget for a small audit which you can use to get a baseline understanding of how we assign work and allocate resources to each phase of the audit:

	Partner	Manager	Senior	Staff 1	Staff 2	Hours
<u>Planning</u>	4	6	10	-	-	20
<u>Fieldwork</u>	-	10	25	20	35	90
<u>Reporting</u>	8	12	10	10	-	40
<u>Presentation</u>	3	3	-	-	-	6
<u>Follow-up</u>	-	4	5	-	10	19
Total hours	15	35	50	30	45	175

Investigative Audits

No organization wants to experience fraud, but every organization needs to be prepared for it. Fraud can come from many different directions: employees, managers, officers, owners, customers, vendors, or other outside parties. In our experience, two things are certain when an organization encounters fraud: 1) it is never expected or convenient, and 2) it must be addressed quickly and competently. Kernutt Stokes has three CFE's on staff and has assisted clients for many years, addressing their concerns or encounters with fraud in their organizations. Having trained fraud professionals on staff allows us to proactively look for fraud potential during all our engagements. When fraud is discovered or suspected, we can also aid our clients to resolve the issue through both a fraud investigation and developing systems to prevent and deter it from happening again. Goals of the fraud investigation include:

- Identifying improper conduct
- Identifying person responsible
- Stopping the fraud
- Determining the extent of potential liabilities or losses
- Helping recover losses
- Stopping future losses
- Mitigating other potential consequences
- Strengthening internal control weaknesses
- Sending a message of intolerance of fraud throughout the organization
- Fraud investigations are conducted based on the type of fraud that occurs, but all include similar activities.
- Obtaining Evidence

The success of an investigative audit relies on the credibility of the evidence collected. Evidence is typically documentation or statements from witnesses. The key is obtaining this evidence properly and legally. Many organizations jump right into evidence gathering when fraud is suspected. While well intentioned, this can often be disastrous to the outcome. Acting too hastily can ruin the chain of custody, damage digital information, or result in illegal actions that cause the evidence to be discarded. Jumping into interviews too quickly can be just as damaging. Interviewing the right people at the wrong time can lead to incomplete conclusions. Additionally, interviews conducted in the wrong manner can be considered coercion or false imprisonment that can quickly turn the organization into a defendant instead of the victim. Kernutt Stokes has the training and experience to ensure the proper steps are followed throughout the investigation to ensure the results are based on facts, and not administrative errors.

A variety of techniques can be used to analyze evidence. Based on our experience we can perform many types of forensic analysis. Using computer aided data analysis tools we can cross-compare large databases to find similarities that are not identifiable through traditional means. We can analyze documentation to see if it has been altered or forged. If techniques are required that we are not as experienced with, our Alliance with BDO ensures we have the resources available to either perform it or to know that an expert in that area should be brought in.

REPORTING

Sometimes frauds are simple, but often they are not. It is necessary for the report to make complicated issues easy to understand, while including all the relevant data. A good report not only dictates the facts, but it also adds credibility to the entire investigation. The report will look different depending on the intended user. It may be as informal as a memo or as formal as an expert report intended for use in legal proceedings. Sometimes an investigation may result in multiple reports for internal communication, legal proceedings, insurance claims, etc. Just as our audits and investigations are customized to your organizations, we pride ourselves on customizing our reports for your specific needs.

TESTIFYING

Not every fraud requires the fraud examiner to testify their findings in a legal proceeding, but every fraud investigator should assume that is a possibility when conducting the investigation. Our CFEs are always prepared for this possibility and are ready to assist in this way when the engagement necessitates it.

FUTURE DETECTION AND PREVENTION

Regardless of what the investigation uncovers, we will be incredibly familiar with the DIR's strengths and weaknesses when the investigation ends, and in a great position to aid the organization in developing policies, procedures, and better controls moving forward. Additionally, we can help the DIR to develop their fraud response plan in the future. This is a proactive step that encourages everyone in the organization to be engaged in keeping fraud at bay. A good response plan should be simple to follow and administer. It will anticipate a range of scenarios that have or could occur. It outlines reporting protocols, identifies a response team for initial assessment, includes the factors that determine the following course of action, understands legal issues that may arise, details the principles for documentation, and has template form to document the incidents and the actions taken. The most valuable outcome of a fraud investigation is often the losses that are prevented in the future.

TIMELINE AND BUDGET

The timeline and budget for a fraud investigation can vary greatly with the nature of the fraud, number of parties involved, number of accounts compromised, and other factors. As such no ideal or estimated timeline can be provided.

PROFESSIONAL BACKGROUND/EXPERIENCE

LOCALLY AND NATIONALLY RECOGNIZED - Throughout our more than 75-year history, we have worked meticulously to be a top-quality firm not only for our clients but for our employees as well. In 2022, INSIDE Public Accounting named Kernutt Stokes as one of the 50 "Best of the Best" firms in the nation. Additionally, Oregon Business magazine named Kernutt Stokes as one of the 100 best companies to work for in Oregon in 2023, the second time in the three years that we have been named to the list.

"LOCAL" FIRM SERVICE BACKED BY INTERNATIONAL FIRM RESOURCES - Kernutt Stokes is an independent member of BDO Alliance USA (the Alliance), a nationwide association of independently owned local and regional accounting, consulting, and service firms with similar client service goals. As a member of the Alliance, BDO offers us the same tools, expertise, training, and resources that are available to their own partners and employees. In addition, the Alliance also connects us to firms from nearly every state and around the world providing an additional network of expertise, experience, and tools; all of which are at the disposal of Kernutt Stokes and come at no additional cost to you. As a result, the BDO Alliance allows us to enhance our client services and broaden our capabilities, gain greater technical knowledge in specialty areas, utilize nationally recognized professionals with experience in a wide range of industries, access the most up-to-date information, and participate in the latest training programs. Simply put, Kernutt Stokes, and indirectly the Departments we will work with, have access to all the resources of one of the largest CPA firms in the world all while being able to receive the personal attention your organization wants and deserves.

CERTIFICATION OF TEAM MEMBERS - All senior members of your engagement team are Certified Public Accountants (CPAs) licensed in the state of Oregon. We will ensure your organization will enjoy a smooth transition and service, consistency in contact, will benefit from our deep knowledge and understanding of a variety of organizations and financial issues, and meaningful ongoing communication. Our goal is for you to develop long-standing and trusted relationships with the entire engagement team.

You and your team will likely be working with the same individuals year after year, allowing both our teams to streamline processes and achieve efficiencies only provided through team continuity year after year.

TEAM QUALIFICATIONS/SELECTION



TREVER CAMPBELL, CPA, CFE, MAcc PARTNER

Trever is a Partner in the firm's audit and attestation department and leads the firm's internal audit, forensic, and fraud accounting practices. Trever provides a range of services including internal audit, financial statement audits, fraud examination, forensic accounting, accounting assistance, and consulting. He assists clients in a variety of industries including government, higher education, insurance, manufacturing, brewing, and transportation.

As a member of your engagement team, Trever will oversee the engagement and work closely with the Agency management. He will bring a focused attention to the detection and deterrence of fraud, as well as a thorough look at the internal control environments on each of your engagements. He is well-versed in the development of organizational risk assessments. Throughout his career he has successfully managed dozens of internal audit, risk assessment, and fraud investigation engagements. Recent projects Trever has supervised include: Oregon Long-Term Care Ombudsman performance audit, Oregon Department of Motor Vehicles forensic review, Oregon Payroll Process operational audit, Oregon Office of Public Defense Services performance audit, Texas Department of Information Resources Cooperative Contracts compliance audit, Eastern Oregon University risk assessment, Title IX, Clery Act, and NAIA internal audits; and Oregon Institute of Technology Sponsored Projects and Grant Administration, and Procurement Process internal audits.

Trever earned a Master of Accounting (MAcc) degree from the University of Oregon and began his career at a Big 4 accounting firm as a consultant in internal audit, risk, and compliance. During that time, he performed internal audit risk assessments and testing of internal controls, Sarbanes-Oxley compliance testing, and IT systems implementation reviews. He has been a CPA for eleven years and a CFE for nine years.

He has always had an interest in business and process improvement. Trever believes a solid understanding of finances is essential to being a better owner, manager, employee, or consultant, and he strives to provide those insights to his clients. He attributes his success in work and life to having a willingness to change, taking chances, and finding passion in every project.

Trever is a member of the AICPA, OSCP, ACFE, and IIA.

**ETHAN DOAK, CPA, CIA, CFE, MBA
MANAGER**

Ethan is a manager in Kernutt Stokes internal audit practice. He has extensive experience overseeing all financial and accounting-related activities, including financial statements, financial reporting, monthly reconciliations, and ledger accounts. Ethan is highly effective at analyzing and improving operating internal controls, processes, and policies to ensure compliance with a variety of regulatory standards including GAAP, state insurance commissions, banking regulations, etc. He is well-versed in conducting audits, designing test procedures, and documenting findings.

Ethan has an undergraduate business degree from Oregon State University and a Master of Business Administration (MBA) from Western Governors University.

Additionally, he has certifications as a CPA (since 2008), CIA (since 2009), and CFE (since 2018). He has close to twelve years of experience working in public accounting performing both internal and external audit engagements. He also has around eight years of experience working in the private sector as a controller and financial reporting manager. He has worked in a wide-range of industries including: health care, gaming, manufacturing, finance, and not-for-profits.

Ethan's role will be to oversee staff, plan engagements, develop audit programs, communicate with State and department managers, present to boards and committees, create KPI's based on best practices, and provide realistic and meaningful recommendations to any identified issues.

Ethan is a member of the OSCP, AICPA, and ACFE.

**HOPE ROGERS, CPA
MANAGER**

Hope has her degree from Oregon State University in Accounting and Business Information Systems. She has worked extensively with analytics and statistical interpretations using data analysis software on various engagements. Her ability to identify anomalies, investigate trends and patterns, and interest in process improvement makes her a must-have on any project involving significant data sets.

Hope's role will be to plan the engagement, oversee staff, communicate with State and Department management and staff, and be a first line of defense in identifying potential issues.

For the last six years Hope has been integral to the success of many of Kernutt Stokes' internal audit engagements by providing continuous client service outside of the internal audit engagements in the form of consistent communication with management, timely updates on management's schedule, and connections to additional resources as needed. Hope has worked on a wide variety of internal audit projects for government agencies and universities dealing with issues such as: payroll processes, public defense, capital projects, health centers, employee workload, expense reimbursements, departmental fiscal management, campus housing, fixed assets, inventory, Title IX, and the Clery Act.

Hope is a CPA and a member of the AICPA and IIA.



CLAIRE PAHLMAYER, CPA, CIA
SENIOR ASSOCIATE

Claire received degrees in accounting and economics from Pacific Lutheran University (PLU). After graduating from PLU, Claire joined Kernutt Stokes to work in the consulting, audit, and attestation practices. Her background in labor and behavioral economics helps her evaluate labor practices and employee motivation for organizations. It also allows her to understand and evaluate macroeconomic trends in inflation, regional demand, and unemployment, all of which must be considered when organizations are making cash management, capital outlay, investment, and other financial decisions.

Claire's role will be to plan engagements, oversee staff, communicate with State and Department management and staff, and develop recommendations and solutions for identified issues. Claire has worked on engagements for the last five years focused on organizational compliance and performance optimization. She has worked directly on a large variety of projects related to government and private grants, contractual partnerships, long-term care ombudsman operational efficiency, public defense, manufacturing research and development, and both NAIA and NCAA compliance.

As a CIA, Claire has the skill set necessary to ensure all aspects of a project meet the highest standards of quality. Claire serves as Kernutt Stokes' internal audit quality assurance manager, continuously developing and maintaining the Quality Assurance and Improvement Program (QAIP) at Kernutt Stokes to establish high quality practices for all the firm's internal audit and advisory clients and projects. Using trainings, guidelines, and other resources provided by the leading organization of internal audit, the IIA, Claire takes pride in ensuring the highest level of value is provided on all engagements. Through the QAIP, Kernutt Stokes is prepared for a formal quality assessment according to IIA guidelines, either through a full external assessment or self-assessment with external validation.

Claire is a member of the OSCP, AICPA, and IIA.



BDO ALLIANCE

As an independent member of the BDO Alliance, Kernutt Stokes can provide the State of North Carolina with access to national leaders for consulting in the areas of governmental accounting, University operations, information technology, compliance, regulatory areas, and best practices in treasury management.

COST PROPOSAL

We assign work to the team member most capable of performing the task effectively and efficiently. Our hourly rate is dependent on the Kernutt Stokes team member providing the service.

Our rates are shown in Attachment A: Pricing Form.

ADDITIONAL QUESTIONS/INFORMATION

LEGAL RIGHT TO PRACTICE IN NORTH CAROLINA



North Carolina State Board of Certified Public Accountant Examiners

Acknowledgement of CPA Firm Notification of Intent to Practice

Steve Ritchie, CPA
Kernutt Stokes LLP
1600 Executive Parkway Ste 110
Eugene OR 97401

Re: CPA Firm Notification of Intent to Practice in North Carolina

Dear Mr. Ritchie,

The aforementioned firm is a Certified Public Accounting firm in the State of Oregon. We acknowledge that this firm has notified this Board of its intent to practice in North Carolina, subject to compliance with the provisions of the North Carolina General Statutes and Administrative Code. This notification does not expire.

August 8, 2023


Cammie Emery
Licensing Specialist

EXTERNAL PEER/QUALITY ASSURANCE REVIEW



FAW CASSON
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

Report on the Firm's System of Quality Control

January 21, 2021

To the Partners of Kernutt Stokes LLP and the Peer Review Committee of the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Kernutt Stokes LLP (the firm) in effect for the year ended July 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Kernutt Stokes LLP in effect for the year ended July 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Kernutt Stokes LLP has received a peer review rating of *pass*.

Faw, Casson & Co., LLP

FAW, CASSON & CO., LLP



WWW.FAWCASSON.COM

160 GREENTREE DR., STE. 203 DOVER, DE 19904 P 302-674-4305 F 302-674-0910
20245 BAY VISTA RD., STE. 204 REHOBOTH BEACH, DE 19971 P 302-226-1919 F 302-674-0910
9748 STEPHEN DECATUR HWY., STE. 103 OCEAN CITY, MD 21842 P 410-213-8700 F 410-213-7221

FINANCIAL STABILITY

As evidence of our financial stability, we were named as part of the Best of the Best by Inside Public Accounting, in 2022, which places us within the top 50 accounting firms in the nation by our industries leading practice management and benchmarking organization. The Best of the Best evaluates firms based on financial performance, management, growth, and strategic vision.

A picture from the Best of the Best website is here with our placement and ranking shown below:

THE 2022 BEST OF THE BEST FIRMS

Best Over \$10 Million	Best Under \$10 Million	Best in Canada
FIRM / HEADQUARTERS	CEO / MP	NET REVENUE
Toole Katz & Roemersma LLP / Arlington, Va.	Kelly P. Toole	\$12,322,687
Fasten Halberstam LLP / New York	Moti Halberstam	\$12,324,778
Miller Grossbard Advisors LLP / Houston	Russell J. Miller	\$13,506,841
Wall Einhorn & Chernitzer PC / Norfolk, Va.	Angela Kerns	\$13,828,778
Kernutt Stokes LLP / Eugene, Ore.	Steve Ritchie	\$15,701,298

CONFIDENTIAL

***Information on this page is a trade secret and confidential in accordance with NC
General Statutes, 66-152 & 132-1.2***

BALANCE SHEET

CONFIDENTIAL

CONFIDENTIAL

***Information on this page is a trade secret and confidential in accordance with NC
General Statutes, 66-152 & 132-1.2***

INCOME STATEMENT

CONFIDENTIAL

REFERENCES

Kernutt Stokes has performed a variety of internal audit engagements with various clients in the government sector. Descriptions and references of past projects similar and relevant to the services to be provided to the DOA P&C are shown on Attachment E: Customer Reference Form.

REPRESENTATIONS

There have been no regulatory sanctions levied against our firm (partners, officers, directors, employees, or agents) by any state or federal agencies during the past three years.

There are no regulatory investigations pending against our firm (partners, officers, directors, employees, or agents) by any state or federal agencies.

There are no outstanding liabilities to the Internal Revenue Service, or other government entities, or unpaid final judgements for which our firm is liable.

CONTRACT MANAGER AND CUSTOMER SERVICEContract Manager Point of Contact

Name: Trever Campbell, Partner

Office Phone: 541-749-4020

Mobile Phone: Not Applicable

Email: tcampbell@kernttstokes.com

Customer Service Point of Contact

Name: Trever Campbell, Partner

Office Phone: 541-749-4020

Mobile Phone: Not Applicable

Email: tcampbell@kernuttstokes.com

ATTACHMENT A: PRICING FORM

COST SCHEDULE

Vendor shall provide its best hourly rates in the form of base rate and upper rate for an auditor, audit supervisor and audit executive in the appropriate columns provided below or a duplicate of this form. For staff, supervisor, and executive descriptions, see Section 4.9 of the RFP.

This table captures audit staff compensation rates only and does not include travel or related business expenses. All travel and business expenses, if any, will be subject to North Carolina state travel guidelines and requirements and are required to be presented as part of the issuance of a specific SOW, after approved Vendors have been selected. Chapter 5 of the North Carolina Budget Manual provides primary guidance on state travel guidelines and restrictions and can be found at:

<https://www.osbm.nc.gov/budget/budget-manual>

Services Category	Staff Base Rate	Staff Upper Rate	Supervisor	Executive	OTHER PROFESSIONAL STAFF		
					Vendors may enter provide rates for additional staff categories, if applicable.		
Operational/Performance Audit	\$130	\$350	\$190	\$350	\$500	\$600	\$100
Investigative Audit	\$200	\$450	\$300	\$500	\$600	\$800	\$100
Compliance Audit	\$130	\$350	\$190	\$350	\$500	\$600	\$100
Information System Audit							
Risk Assessment and Audit Plan	\$130	\$350	\$190	\$350	\$500	\$600	\$100
Development	\$130	\$350	\$190	\$350	\$500	\$600	\$100
Financial Audit	\$130	\$350	\$190	\$350	\$500	\$600	\$100
Data Analytic Services							
Managerial Advisory Services							
Accounting Services							



SOLICITATION ADDENDUM

Issuing Agency:	Division of Purchase and Contract
Solicitation Number:	DPC-646236801-MT
Solicitation Description:	Supplemental Internal Audit Services
Solicitation Opening Date and Time:	September 6, 2023 @ 2:00 PM ET
Addendum Number:	03
Addendum Date:	August 22, 2023
Purchasing Agent:	Melinda Tomlinson

FAILURE TO RETURN THIS ADDENDUM MAY SUBJECT YOUR RESPONSE TO REJECTION.

- 1. The Solicitation is hereby modified as follows (begin on page 2):**

SOLICITATION NUMBER: DPC-646236801-MT
ADDENDUM NUMBER: 3

Modifi- cation #	Solicitation Section	Current Solicitation Language	Updated Solicitation Language
1	2.8 Proposal Contents	Vendors shall provide responses to all questions and complete all attachments for this RFP that require the Vendor to provide information and upload them to the Sourcing Event in the Sourcing Tool. Vendor may not be able to submit its response in the Sourcing Tool unless all required items are addressed. Vendors shall provide authorized signatures where requested. Failure to provide all required items, or Vendor's submission of incomplete items, may result in the State rejecting Vendor's proposal, in the State's sole discretion. Vendor shall include the following items and attachments in the Sourcing Tool: d) Vendor's Proposal addressing all Specifications of this RFP: 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 5.4, 5.5, 6.1 e) Completed version of ATTACHMENT A: COST PROPOSAL f) Completed and signed version of ATTACHMENT D: HUB SUPPLEMENTAL VENDOR INFORMATION g) Completed and signed version of ATTACHMENT E: CUSTOMER REFERENCE FORM h) Completed and signed version of ATTACHMENT F: LOCATION OF WORKERS UTILIZED BY VENDOR i) Completed and signed version of CERTIFICATION FOR CONTRACTS, GRANTS, LOANS, AND COOPERATIVE AGREEMENTS and OMB STANDARD FORM LLL	Vendors shall provide responses to all questions and complete all attachments for this RFP that require the Vendor to provide information and upload them to the Sourcing Event in the Sourcing Tool. Vendor may not be able to submit its response in the Sourcing Tool unless all required items are addressed. Vendors shall provide authorized signatures where requested. Failure to provide all required items, or Vendor's submission of incomplete items, may result in the State rejecting Vendor's proposal, in the State's sole discretion. Vendor shall include the following items and attachments in the Sourcing Tool: d) Vendor's Proposal addressing all Specifications of this RFP: 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 5.4, 5.5, 6.1 e) Completed version of ATTACHMENT A: COST PROPOSAL f) Completed and signed version of ATTACHMENT D: HUB SUPPLEMENTAL VENDOR INFORMATION g) Completed and signed version of ATTACHMENT E: CUSTOMER REFERENCE FORM h) Completed and signed version of ATTACHMENT F: LOCATION OF WORKERS UTILIZED BY VENDOR. i) Completed and signed version of ATTACHMENT G: CERTIFICATION OF FINANCIAL CONDITION. j) Completed and signed version of CERTIFICATION FOR CONTRACTS, GRANTS, LOANS, AND COOPERATIVE AGREEMENTS and OMB STANDARD FORM LLL
2	Section 4.11 Personnel	In its proposal the Vendor shall provide information as to the qualifications and experience of current audit, accounting, managerial advisors, and data analytics personnel that may be assigned to each of the service categories for which the Vendor submits a proposal. Personnel qualifications may include documentation citing educational background, experience with similar projects and related certification, as well as the number of years of experience with each type of service category, as identified in the Section 5 Scope of Works, Audit Service	Section 4.11 has been removed from the solicitation. It has now been incorporated into the RFQ. See revised Exhibit 3.

SOLICITATION NUMBER: DPC-646236801-MT
ADDENDUM NUMBER: 3

Modifi- cation #	Solicitation Section	Current Solicitation Language	Updated Solicitation Language																																																			
		Categories. Vendor warrants that qualified personnel shall provide Services under this Contract in a professional manner. “Professional manner” means that the personnel performing the Services will possess the skill and competence consistent with the prevailing business standards in the industry. Vendor will serve as the prime contractor under this Contract and shall be responsible for the performance and payment of all subcontractor(s) that may be approved by the State. Names of any third-party Vendors or subcontractors of Vendor may appear for purposes of convenience in Contract documents; and shall not limit Vendor’s obligations hereunder. Vendor will retain executive representation for functional and technical expertise as needed in order to incorporate any work by third party subcontractor(s).																																																				
3	Section 5.3 Vendor Re-sponsibilities	Soliciting Agencies shall complete a State-ment of Work form (Exhibit 3 attached) and submit the form to at least one (1) quali-fied vendors in the requested category.	Soliciting Agencies shall complete a State-ment of Work form (Exhibit 3 attached) and submit the form to at least two (2) qualified vendors in the requested category.																																																			
4	Section 3.4 Evaluation Criteria - Original RFP Evaluation Criteria <table><tr><th>Evaluation Criteria</th><th>RFP Section</th><th>Points</th></tr><tr><td>Vendor’s Relevant Background and Experience</td><td>4.4, 4.5</td><td>300</td></tr><tr><td>Financial Statements</td><td>4.8</td><td>200</td></tr><tr><td>Personnel</td><td>4.11</td><td>350</td></tr><tr><td>Cost Proposal</td><td>4.9, Attachment A</td><td>150</td></tr><tr><td>TOTAL</td><td>700 required for the award</td><td>1000</td></tr><tr><td>NC License to Practice</td><td>4.6</td><td>Pass/Fail</td></tr><tr><td>External Review/Regulatory Action</td><td>4.7</td><td>Pass/Fail</td></tr></table> Modified RFP Evaluation Criteria <table><tr><th>Evaluation Criteria</th><th>RFP Section</th><th>Points</th></tr><tr><td>Vendor’s Relevant Background and Experience</td><td>4.4, 4.5</td><td>275</td></tr><tr><td>Financial Statements</td><td>4.8</td><td>150</td></tr><tr><td>Project Staffing</td><td>5.4</td><td>250</td></tr><tr><td>Technical Approach</td><td>5.5</td><td>200</td></tr><tr><td>Cost Proposal</td><td>4.9, Attachment A</td><td>125</td></tr><tr><td>TOTAL</td><td>700 required for award</td><td>1000</td></tr><tr><td>NC License to Practice</td><td>4.6</td><td>Pass/Fail</td></tr><tr><td>External Review/Regulatory Action</td><td>4.7</td><td>Pass/Fail</td></tr></table>			Evaluation Criteria	RFP Section	Points	Vendor’s Relevant Background and Experience	4.4, 4.5	300	Financial Statements	4.8	200	Personnel	4.11	350	Cost Proposal	4.9, Attachment A	150	TOTAL	700 required for the award	1000	NC License to Practice	4.6	Pass/Fail	External Review/Regulatory Action	4.7	Pass/Fail	Evaluation Criteria	RFP Section	Points	Vendor’s Relevant Background and Experience	4.4, 4.5	275	Financial Statements	4.8	150	Project Staffing	5.4	250	Technical Approach	5.5	200	Cost Proposal	4.9, Attachment A	125	TOTAL	700 required for award	1000	NC License to Practice	4.6	Pass/Fail	External Review/Regulatory Action	4.7	Pass/Fail
Evaluation Criteria	RFP Section	Points																																																				
Vendor’s Relevant Background and Experience	4.4, 4.5	300																																																				
Financial Statements	4.8	200																																																				
Personnel	4.11	350																																																				
Cost Proposal	4.9, Attachment A	150																																																				
TOTAL	700 required for the award	1000																																																				
NC License to Practice	4.6	Pass/Fail																																																				
External Review/Regulatory Action	4.7	Pass/Fail																																																				
Evaluation Criteria	RFP Section	Points																																																				
Vendor’s Relevant Background and Experience	4.4, 4.5	275																																																				
Financial Statements	4.8	150																																																				
Project Staffing	5.4	250																																																				
Technical Approach	5.5	200																																																				
Cost Proposal	4.9, Attachment A	125																																																				
TOTAL	700 required for award	1000																																																				
NC License to Practice	4.6	Pass/Fail																																																				
External Review/Regulatory Action	4.7	Pass/Fail																																																				
5	Attachment A: Cost Proposal	See Current Attachment A	See Updated Attachment A – to provide for optional additional labor categories.																																																			

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Modification #	Solicitation Section	Current Solicitation Language	Updated Solicitation Language
6	Section 5.1 General	Audits, accounting, data analytics or managerial services are performed to either ascertain the validity and reliability of information; to provide an assessment of a system's internal controls or operations; to recommend improvements in efficiency and effectiveness of operations; adherence to laws and regulations, fill an unmet staffing needs, or provide forecasting. Any agency may identify a need for internal audit assurance, accounting, data analytics or managerial advisory service short term staff through the issuance of a Scope of Work (SOW). The hiring agency's staffing needs may vary in terms of resources required, dates of service and length of assignment.	Audits, accounting, data analytics or managerial services are performed to either ascertain the validity and reliability of information; to provide an assessment of a system's internal controls or operations; to recommend improvements in efficiency and effectiveness of operations; adherence to laws and regulations, or provide forecasting. Any agency may identify a need for internal audit assurance, accounting, data analytics or through the issuance of a Scope of Work (SOW).

2. The following are questions received about the Solicitation and the State's response to those questions:

Question #	Document Section	Vendor Question	State's Response
1.	Att. B	Is Attachment B: North Carolina Instructions to Vendors considered part of the body of RFP and required to be returned with response?	Attachment B: North Carolina Instructions to Vendors should be read in its entirety; however, it is not required to return it with your vendor response. Refer to section 2.8 Proposal Contents for the items that are required to be included in your vendor response.
2.	Att. C	Is Attachment C: North Carolina General Terms and Conditions considered part of the body of RFP and required to be returned with response?	Attachment C: North Carolina General Terms and Conditions should be read in its entirety; however, it is not required to return it with your vendor response. Refer to section 2.8 Proposal Contents for the items that are required to be included in your vendor response.
3.	Section 2.8 Proposal Contents	RFP p. 11, Section 2.8 Proposal Contents does not list Attachment G: Certification of Financial Condition as required, however, this form is issued in the Ariba Sourcing portal. Should this form be provided as part of the offeror's response to Section 2.8.j.c?	Vendors shall complete the Attachment G: Certification of Financial Condition provided in section 6.5 of the Ariba Sourcing Event. See solicitation modification #1 in previous section of this Addendum 2.

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Question #	Document Section	Vendor Question	State's Response
4.	Section 2.8 Proposal Contents	RFP p. 11, section 2.8 Proposal Contents lists items 2.8.a Title Page, 2.8.c Signed Addenda, 2.8.d Vendor's Proposal, and 2.8.j Response and Documentation. There are not specific line items in the Sourcing Tool portal for vendors to upload these items. Will the State consider adding specific sections in the Sourcing Tool portal for vendors to upload each of these items?	The State has assigned specific sections for vendors to submit the completed RFP attachments. Any additional required documents should be uploaded in section 6.1 labeled " <i>Return Solicitation Document</i> " within the Ariba Sourcing Event, unless specified otherwise.
5.	Sections 4.1 Pricing & 4.9 Cost Proposal	RFP Sections 4.1 Pricing and 4.9 Cost Proposal include no guidance on how the State will consider labor rate escalation over the period of performance of the STC. Will the State allow vendors to propose a process for labor rate escalation over the period of performance of the STC as part of their response to RFP Section 4.9?	Please refer to section 6.8 Contract Changes, for information regarding how to make changes over the life of the contract.
6.	Section 4.5 References	RFP p. 13, Section 4.5 References states, "Vendor shall provide a list of at least five (5) contracts for which Vendor has performed services of a similar nature and scope, as identified in Section 5.2, within the last five (5) years." Are vendors to provide at least 5 contracts for each Section 5.2 type of service area that vendors are responding to (e.g., 5 contracts for Section 5.2.a, 5 contracts for Section 5.2.b, 5 contracts for Section 5.2.c, and so on) or provide a total of at least 5 contracts regardless of how many Section 5.2 services vendors are responding to?	Vendors should provide a total of at least five (5) references within the last five (5) years for which Vendor has performed services of a similar nature and scope, as identified in Section 5.2.

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Question #	Document Section	Vendor Question	State's Response
7.	Section 4.7 External Reviews and Regulatory Action	RFP Section 4.7 External Reviews and Regulatory Action outlines a set of mandatory response and disclosure requirements. Subsection 4.7.a appears to specifically apply to vendors responding to the Compliance Audit (RFP Section 5.2.c), Financial Audit (5.2.g) and Accounting & Financial Services (5.2.h) service categories. Further, Subsection 4.7.b seems to clarify that Subsection 4.7.a does not apply to vendors responding to service categories that do not cover services subject to the "American Institute of Certified Public Accountants external review requirements." Could that State confirm that it agrees with this interpretation and that Subsection 4.7.a only applies to vendors responding to service categories 5.2c, 5.2.g, and 5.2.h?	No, the type of services a Vendor responds to has no impact on this requirement. Section 4.7a applies to Vendors that are required by the American Institute of Certified Public Accountant or a State's governing body to have a peer review.
8.	Sections 4.9 Cost Proposal and 5.2 Internal Audit Assurance...	RFP Sections 4.9 and 5.2 as well as Exhibit 2 and Attachment A are inconsistent in their representation of service categories. Can the State confirm that Section 5.2 represents the authoritative list of service categories for vendors to respond to?	Yes, Section 5.2 represents the list of service categories to which Vendors should respond.
9.	Section 4.9 Cost Proposal	RFP p. 17, Section 4.9 Cost Proposal states, "For each service category, the Vendor shall provide the following:". Should this language state, "For each service category that the vendor is proposing for, the Vendor shall provide the following:"?	Vendors should refer to the previous sentence in section 4.9 for clarity, which states, <i>Vendors may provide rates for one (1) or more service categories but may not necessarily receive approval for all categories submitted.</i>
10.	Section 4.9 Cost Proposal	RFP Section 4.9 Cost Proposal includes a paragraph allowing for the inclusion of additional labor categories under "d. Other professional staff...". The RFP apparently lists "d." as a subsection under the Data Analytics Services service category. However, the phrasing of the "Other professional staff" definition suggests that this might apply to other service categories as well, not just the Data Analytics Service category. Could that State confirm that vendors can propose additional labor categories, per the "Other professional staff" guidance, across all service categories?	Yes, "Other professional staff" may be applied across all service categories.

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Question #	Document Section	Vendor Question	State's Response
11.	Section 4.11 Personnel	RFP Section 4.11 Personnel appears to represent a proposal requirement. It is also an explicit evaluation factor under RFP Section 3.4. However, it is not included in RFP Section 2.8.d. Can the State confirm that vendors should include a response to RFP Section 4.11 in their respective proposal sections addressing RFP Section 2.8?	Vendors shall provide in their proposal the requirements requested in Section 4.11 Personnel.
12.		RFP Sections 4.11, 5.4, and 5.5 all speak to personnel and staffing requirements, but don't clearly define which personnel the State would consider to be Key Personnel (who would be subject to the substitution rules under 4.11). In our estimation it would be appropriate for vendors to propose a State Term Contract Manager and Service Category Leaders as Key Personnel at this time, but to defer naming all other Key Personnel to the order level. All other personnel highlighted in the proposal response would be W-2 employees of the vendor but would not be explicitly labeled as 'Key Personnel'. Would this be acceptable to the State?	Yes, the State is agreeable to Key Personnel being defined for: 1. Contract Manager 2. Service Category Leaders (as defined in Section 4.9 of RFP). Enough staff qualifications should be provided to support each service category that are included in a Vendor's proposal. Key personnel are individuals that have the responsibility for ensuring milestones, deadlines and/or accomplishment of project objectives are achieved. See Modification Section 1, #2. See updated Exhibit 3 for RFQ Process.
13.	Section 5.5 Technical Approach	RFP Section 5.5 Technical Approach is a required proposal response section under Section 2.8 Proposal Contents, but it is not part of the evaluation criteria under Section 3.4. Since (1) the responses to RFP Sections 4.4, 4.5 (technical capabilities) and 4.11 (Personnel qualifications) should comprehensively cover the vendor's ability to meet potential future order requirements under this Term Contract and since (2) there is no specific task order scope included in this RFP that vendors could respond to with an 'approach', would the State consider removing the first two paragraphs from RFP Section 5.5? Paragraph 1: "Vendor's proposal shall..." (redundant with Sections 4.4 and 4.5); Paragraph 2: "Key Personnel qualifications..." (to be addressed in Section 5.4)	No. Response to (1) - See Section 1, Modification #4 for updated Evaluation Criteria. See Section 1, Modification #2 for update to Section 4.11. Response to (2) – Sections 5.4 and 5.5 are relative to the Scope of Section 5, in its entirety. Vendors should provide Approach and Project Staffing approach based on the provided Scope of Work in Sections 5.1 – 5.3.
14.	Section 5.5 Technical Approach	For vendors proposing on service categories not commonly subject to the professional standards listed in RFP Section 5.5, would the government accept a brief narrative response outlining why the specific professional standard(a) does not apply to the vendor as a compliant response?	Yes. Vendors should provide a response to Sections 5.4 Project Staffing and 5.5 Technical Approach. for services that are commonly subject to the list of professional standards.

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Question #	Document Section	Vendor Question	State's Response
15.	Section 1.3 Contract Term and Section 4.1 Pricing.	Since this new State Convenience Contract for services is for a 5-year period, how many instances will the State allow rates to be increased to match market fluctuations during the term of the contract?	The State is unable to provide a specific number of instances that would allow for rate increases during the contract. Vendors are advised to review section 6.8 Contract Changes to understand the State's policy on contract modifications throughout the duration of the agreement.
16.	RFP Section 2.4 RFP Schedule	<i>Submit Proposals section. Also referenced on Solicitation Addendum 1 with new due date for submission 8/29/23 at 2 pm.</i> What is the purpose for this Teams meeting? What information will the State of North Carolina's Division of Purchase and Contract discuss or disclose during the meeting?	The public bid opening is scheduled for August 29, 2023, at 2:00 PM. At the time of the bid opening, vendor's names and pricing that is not subject to negotiation or two-step opening shall be announced. This includes all timely bids received, including those that may later be deemed non-responsive.
17.	4.10 Additional Requirements	<u>4.10(a) Work Papers:</u> Would the State agree to language clarifying that this section is not intended to impact the ownership rights of our existing intellectual property or administrative records, or any intellectual property developed outside of the scope of our services? <u>4.10(d) Records Retention:</u> Would the State agree to a modification to the records retention requirement to address typical issues associated with information stored electronically and for compliance with applicable professional standards?	This section is intended to impact work papers created within the scope of this agreement. This is not intended to impact the ownership of intellectual property developed outside the scope of the agreement. Administrative records applicable to the completion of audit services are included. The State intends to adhere to the records retention requirement as outlined in the policy set forth by the North Carolina Council of Internal Audition.
18.	Att. C NC General Terms and Conditions	2. Default and Termination: Will the State consider industry standard modifications for the services contemplated such as language disclaiming further responsibility for work product delivered which is designated as incomplete as of the date of termination and that the State's remedy against Vendor for any default shall be the return of any fees paid to Vendor for such nonconforming deliverables or services? Additionally, would the State accept additional language providing that the Vendor may terminate the Agreement upon written notice to the State, if the Vendor determines continued performance would result in a violation of law, regulatory requirements, applicable professional or ethical standards, or Vendor's client acceptance or retention standards?	The State reserves the right to negotiate this term of the contract prior to contract award.

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Question #	Document Section	Vendor Question	State's Response
19.	Att. C NC General Terms and Conditions	13. Access to Persons and Records: Would the State accept language clarifying that these rights are limited solely to our time, billing and reimbursable expense records for services performed under the Agreement?	The State reserves the right to negotiate this term of the contract prior to contract award.
20.	Att. C NC General Terms and Conditions	16. General Indemnity: 16(a): Will the State consider industry standard modification to this provision to limit our obligations to claims brought by third parties that arise from the gross negligence or willful acts or omissions by Vendor during the performance of its services? Additionally, would the State accept the addition of language providing that our total liability, except for our indemnification obligations, be limited to an amount equal to the fees we receive under the Agreement, and exclude indirect, consequential, exemplary or similar such damages?	The State reserves the right to negotiate this term of the contract prior to contract award.
21.	Att. C NC General Terms and Conditions	20. Care of State Data and Property: <u>Paragraph 2, Sentence 2</u> : Will the State consider adding the following language to the beginning of the second sentence in the second paragraph "Subject to the limitations of liability in the Agreement,..."?	The State reserves the right to negotiate this term of the contract prior to contract award.
22.	Att. C NC General Terms and Conditions	28. Federal Funds Provisions: <u>28(d)(2) and (3)</u> : Would the State accept our request to delete the liquidated damages provision, or substantive modifications to address failures to deliver which are outside of the Vendor's reasonable control? <u>28(i) Access to Records</u> : Please see our Question in 13. <i>Access to Persons and Records</i> . <u>28(k) Records Retention</u> : Please see our Question in 20. <i>Care of State Data and Property</i> .	The State reserves the right to negotiate this term of the contract prior to contract award.
23.	Section 4.3 HUB Participation	Do vendors need to meet 10% utilization of HUBs on this RFP? How does one become certified as WBE and Minority owned in North Carolina?	No. The 10% utilization applies to State agency's goal to spend at least 10% of their total expenditures with certified HUB vendors. For information about becoming a certified HUB vendor, please visit: https://ncad-min.nc.gov/divisions/historically-underutilized-businesses-hub/certifications

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Question #	Document Section	Vendor Question	State's Response
24.	Section 5.5 Technical Approach	Can you provide more clarity and detail on the requirements for Section 5.5 "Technical Approach"? If possible, can you provide an example?	The proposal from the Vendor must describe their plan for completing the tasks specified in the Scope of Work section of this RFP, using narrative, outlines, and/or graphs. The proposal must include details about each task and deliverable, as well as a schedule for completing each one. The State is unable to provide an example.
25.	5.0 Scope of Work (5.2.d)	Historically, how many audits and/or how many hours of the audit plan have been dedicated to Information Systems Audits for the in-scope agencies and campuses?	Last year for agency and universities information system audits completed were just under 20,000 hours. Not captured are 58 community colleges, 115 local education agencies and several regulatory boards that may use the new state term contract.
26.	5.0 Scope of Work (5.2.d)	Are there any information systems audits that are required to be performed annually as a part of compliance/regulatory requirements? a) Are those annual audits performed for all in-scope agency and campus locations? b) Are there pre-defined state audit programs to execute or is the provider responsible for developing the scope and approach for each audit?	Yes. There is only one(1) mandated information system audit requirement which is not within the scope of this RFP as identified in Section 5.2d.
27.	5.0 Scope of Work (5.2.d)	Has the state performed IT-specific risk assessments as part of this initiative? When were those last performed?	No IT-specific risk assessment was performed for this initiative.
28.	5.0 Scope of Work (5.2.d)	Is there a centralized IT department or IT Manager at the State that manages the scope and coordination of the IT audits?	The State has a centralized IT department however, that department has no responsibilities for overseeing or managing information system audits performed at state agencies or universities.
29.	5.0 Scope of Work (5.2.d)	According to the NCOSA website, the Information Systems Audit reports are not public, but what entity (in addition to the entity being audited) receives the results of the Information Systems Audit Reports? a) Will the vendor present at NCOSA Board/Audit Committee meetings? Or prepare materials for such meetings?	There is no NCOSA Board or Audit Committee. NCOSA has no responsibility for the governance of work performed under this state term contract. The soliciting agency is responsible for receiving and disseminating the results of any work completed by a Vendor. There is a mandate that requires all executive branch internal audit functions to submit reports to the council of internal auditing; however, reports with confidential information must be redacted prior to submission.
30.	5.0 Scope of Work (5.2.d)	Who determines the frequency of Information Systems Audits?	The soliciting agency requesting the audit.

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31.	5.0 Scope of Work (5.2.d)	Does the state have any requirements for in-person execution or can the audits be performed remotely with in-person visits, as appropriate?	The execution of the audits will be determined by the soliciting agency requesting the audit services and be specified in the Request for Quote (RFQ). Refer to Exhibit 3 of the RFP.
32.	5.2.f. Risk Assessment and Audit Plan Development	Historically, how many hours have been dedicated to risk assessment procedures at each agency/campus?	Last year just over 9,300 was spent on risk assessment. Not captured are 58 community colleges, 115 local education agencies and several regulatory boards that may use this state term contract.
33.	5.2.g. Financial Audit	Can you confirm an opinion on financial statements is not within the scope of this RFP?	Opinions on financial statements are not within the scope of this RFP.
34.	Section 5.0	Do any entities anticipate on-demand services as they arise or is there a pre-determined cadence and amount of consulting support already identified?	The State cannot predetermine the needs of the individual agencies; however, soliciting agencies are required to complete a Statement of Work (Exhibit 3) and submit the form to at least one (1) qualified vendor in the requested category.
35.	Section 5.0	Would you anticipate needing local, on-site support, remote assistance, or both?	The need for local, on-site support, or remote assistance will be determined by the soliciting agency and specified in the Request for Quote (RFQ). Refer to section 5.3 of the RFP
36.	Section 5.0	How long will we have to respond to Statement of Work that arises from any of the entities included in this proposal?	The timeline for responding to the Statement of Work will be determined by the soliciting agency and specified in the Request for Quote (RFQ); however, vendors will have a minimum of ten (10) days to respond. Refer to section 5.3 of the RFP.
37.	Section 5.0	There is some overlap in areas in regards to expertise, team, experience, etc. When responding, for sake of brevity, may we reference previous responses with appropriate name/number guidance or would you prefer a complete separate response?	Staff/personnel qualification/experience/education, is only needed once for each type of service included in the Vendors proposal, in response to Sections 5.4 and 5.5.
38.	Section 5.0	When the State has a project need, will it contact all of the firms on this contract (within the applicable category in the RFP) and provide them with an opportunity to submit a proposal? If no, what selection process will be used when project needs arise?	Soliciting agencies must fill out the Statement of Work form (refer to Exhibit 3) and submit it to a minimum of two (2) qualified vendors in the desired category. Refer to section 5.3 of the RFP. See Section 1, Modification #3.
39.	Section 5.0	When the State has a project need, how much advanced notice is typically provided the consultant before the project needs to commence?	Soliciting agencies shall give vendor(s) a minimum of ten (10) days to respond. Refer to section 5.3.2 of the RFP.
40.	Section 5.0	How should we identify which areas we would like to considered for versus areas that are outside of our expertise?	Vendors shall indicate the service categories in which they wish to be considered by submitting base or upper rates for staff, supervisor, and executive hourly rate ranges for each on the pricing schedule (Attachment A). Refer to section 4.9 Cost Proposal.

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Question #	Document Section	Vendor Question	State's Response
41.	Section 5.0	Can we propose on all or just certain portions of the work?	State unable to determine details of this question. See Section 4.9 for details on how vendors should provide proposals for one (1) or more service categories.
42.	Section 5.0	Do we need to include different personnel for each type of work and different references, fees, etc. for each type of work that they list in the RFP?	See Response for Questions 12 and 13 above.
43.	Section 5.0	In the RFP, they ask for expertise with Construction Audits but it is not specifically listed as one of the services...do they consider Construction Audit as a separate service?	Construction audits are not a service category but will follow under compliance audits in Section 5.2 and Assurance audits in Section 4.9
44.	Section 5.0	Do they have an estimated number of hours of support identified for each component?	The State does not have an estimated number of hours for support identified for each component. Vendors should inquire this information of the soliciting agencies.
45.	Att. C NC General Terms and Conditions	How should the Offeror provide exceptions to the State's contractual terms and conditions for the State's consideration?	Please refer to section 2.7 Notice to Vendors Regarding RFP Terms and Conditions.
46.	Att. C NC General Terms and Conditions, Section 2	In (a), would the State consider modifying the remedy for procurement of substitute services to provide that we may be found liable for such costs, since a party's damages should be based on the facts and circumstances and determined by dispute resolution processes? In (b), would the State consider providing a notice and cure period after which, if not cured, such termination for cause would be effective? Alternatively, if the State wishes to discuss specific language or better understand the concerns, would the State please confirm that it is open to the possibility of later discussions and negotiation which may result in a potential amendment of this specific provision of the Contract as per Section 2.3 of the RFP?	The State is willing to negotiate any NC general terms and conditions if the Vendor's includes the modifications in their proposal as stated in Section 2.3.

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Question #	Document Section	Vendor Question	State's Response
47.	Att. C NC General Terms and Conditions, Section 15	Would the State consider the clarifying modifications outlined below to align the insurance requirements with our industry-standard coverage? Alternatively, if the State wishes to discuss specific language, would the State please confirm that it is electing to leave open this section for later negotiation and amendment of this specific provision of the Contract as per Section 2.3 of the RFP? 2(ii)./3(ii). Commercial General Liability – General Liability Coverage on a Comprehensive Commercial Broad Form... 2(iii). Automobile – The minimum combined single limit shall be \$250,000.00 bodily injury and property damage combined. ~~\$250,000.00 uninsured/under insured motorist; and \$2,500.00 medical payment.~~ 3(iii). Automobile – The minimum combined single limit shall be \$500,000.00 bodily injury and property damage combined. ~~\$500,000.00 uninsured/under insured motorist; and \$5,000.00 medical payment.~~	The State is willing to negotiate any NC general terms and conditions if the Vendor's includes the modifications in their proposal as stated in Section 2.3.

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Question #	Document Section	Vendor Question	State's Response
48.	Att. C NC General Terms and Conditions, Section 16	Can the indemnity be modified to be for third party claims for bodily injury, including death, or damages to real or tangible personal property to the extent directly and proximately caused by Contractor's negligence or intentional misconduct in its performance of the services? We would propose the use of the following example. However, in the event the State does not agree with our example, we ask that the State please confirm that it is open to the possibility of later discussions and negotiation which may result in a potential amendment of this specific provision of the Contract as per Section 2.3 of the RFP? "The Vendor shall indemnify, defend and hold and save the State, its officers, agents, and employees, harmless from (i) liability of any kind, including all claims and losses, in each case accruing or resulting to any other person, firm, or corporation furnishing or supplying work, Services, materials, or supplies in connection with the performance of the Contract as a subcontractor or vendor of Vendor, and also from (ii) any and all claims and losses accruing or resulting to any person, firm, or corporation that may suffer personal be injured or whose/which real or tangible property is damaged by the Vendor in the performance of the Contract, in each of cases (i) and (ii) that are attributable to the negligence or intentionally tortious acts of the Vendor, provided that the Vendor is notified in writing within 30 days from the date that the State has knowledge of such claims."	The State is willing to negotiate any NC general terms and conditions if the Vendor's includes the modifications in their proposal as stated in Section 2.3.
49.	Att. C NC General Terms and Conditions, Section 20	Would the State agree to clarify that the Vendor is responsible for the loss or damage to the State's real or tangible property and, as to Data, the cost to restore the State's most recent backup? Alternatively, if the State wishes to discuss specific language, would the State please confirm that it is open to the possibility of later discussions and negotiation which may result in a potential amendment of this specific provision of the Contract as per Section 2.3 of the RFP?	The State reserves the right to negotiate this term of the contract prior to contract award.

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Question #	Document Section	Vendor Question	State's Response
50.	Att. C NC General Terms and Conditions	Prior to contract execution, would the State be willing to negotiate a mutual, aggregate limitation of liability for each party (other than for damages arising from a party's recklessness or intentional misconduct and any other damages for which a limit is specifically not allowed by State law)? We would propose the use of the following example. However, in the event the State does not agree with our example, we ask that the State please confirm that it is open to the possibility of later discussions and negotiation which may result in a limitation of liability as per Section 2.3 of the RFP? "Each party shall not be liable to the other party for any claims, liabilities, or expenses relating to or in connection with this Contract or any statement of work ("Claims") for an aggregate amount in excess of the fees paid by the State to Vendor under such statement of work, except to the extent resulting from their recklessness, bad faith or intentional misconduct."	The State reserves the right to negotiate this term of the contract prior to contract award.
51.	Att. C NC General Terms and Conditions, Section	New Section – Disclaimer of Damages Would the State be willing to include a mutual disclaimer of consequential and punitive damages in the resulting Contract? We would propose the use of the following example. However, in the event the State does not agree with our example, we ask that the State please confirm that it is open to the possibility of later discussions and negotiation which may result in a disclaimer of consequential and punitive damages as per Section 2.3 of the RFP? "In no event shall a party be liable to the other party for any consequential or punitive loss, damage, or expense, relating to or in connection with this Contract or any statement of work."	The State reserves the right to negotiate this term of the contract prior to contract award.
52.	Section 4.9 Cost Proposal	Should this read: The rate that the Vendor will provide an staff accountant with expert qualifications that demonstrated success. Upper Rates as quoted in this RFP will preclude any Vendor from offering a rate for an auditor higher than the established upper rate in response to a soliciting agency's request for services.	The proposed rate provided by a Vendor will be the maximum rate that can be charged. The lower rate of for less experienced staff and the upper rate is for more experienced staff. The rate proposed will be the ceiling and vendor will not be able to charge soliciting agency high rates.

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Question #	Document Section	Vendor Question	State's Response
53.	Section 2.8 Proposal Contents/ Section 3.4 Evaluation Criteria	The proposal contents listed in section 2.8 require a response to RFP 5.4 (Project Staffing), but not to RFP 4.11 (Personnel). However, the evaluation factors in Section 3.4 state that personnel (RFP 4.11) will be evaluated and are silent on whether and how RFP 5.4 will be evaluated. Please clarify whether vendors should respond to 4.11 and/or 5.4 and how each will be evaluated.	See Response for Questions 12 and 13 above.
54.	Att. A Pricing Form	Would the State please consider allowing bidders to include additional Labor Categories, outside of base rate and upper rate for an auditor, audit supervisor and audit executive? Additional labor categories, particularly in between the base and upper rates, will provide the State with more flexibility in execution to tailor the qualifications of their teams to the specific SOW requirement.	Yes. See Section 1, Modification #5 (Attachment A: Cost Proposal Form), updated to reflect optional additional labor categories. Other professional staff – At their discretion, responding firms may include hourly rates for additional professional staff experienced in respective categories.
55.	Section 2.8 Proposal Contents	Please clarify where in the Sourcing Tool (Ariba) we should upload our response to Section 2.8 Proposal Contents, letter d ((d) Vendor's Proposal addressing all Specifications of this RFP: 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 5.4, 5.5, 6.1). We did not see a location specified in the tool.	The State has assigned specific sections for vendors to submit the completed RFP attachments. Any additional required documents should be uploaded in section 6.1 labeled "Return Solicitation Document" within the Ariba Sourcing Event, unless specified otherwise.
56.	ATT. G: CERTIFICATION OF FINANCIAL CONDITION	Should attachment G be added to the Evaluation Criteria table on page 12 and evaluated as pass/fail?	Although Attachment G is not part of the evaluation criteria, it is still required to be submitted along with the vendor's response to determine their level of responsiveness.
57.	Section 2.8 Proposal Contents	Would the State please provide Attachment E? It was not included with the Solicitation documents.	Attachment E Reference form has been added to section 6.3 of the sourcing event.
58.	Section 5.5 Technical Approach	Section 5.5. Technical Approach asks for "Key Personnel Qualifications - Education/Background, experience." This appears to be duplicative of what is required in sections 4.11 and 5.4. Would the State please clarify what is required for Key Personnel in section 5.5 and how it differs from section 4.11 and 5.4? Alternative, please state that the bidder can simply reference sections 4.11 and 5.4 in its response to section 5.5.	See responses for Questions 12 and 13 above.

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59.	Section 4.9 Cost Proposal	Please clarify how the 4 Services included in 4.9 Cost Proposal (Assurance Services, Accounting Services, Managerial Advisory Services, Data Analytics Services) relate to the 9 Service Categories included in Section 5.2 ((a) Operational Performance Audits...(i) Managerial Audit Services). Please also clarify how the 4 Services included in 4.9 Cost Proposal should be used in completion of Attachment A. Pricing Form.	Section 4.9 Assurance Services equates to the following service identified in Section 5.2: 1) operational/performance audits 2) investigation audits 3) compliance audits 4) information system audits 5) financial audits 6) risk assessments and Audit Plan Development Section 4.9 Accounting Services equates to Section 5.2 Accounting and Financial Services. Section 4.9 Managerial Advisory Services equates to Section 5.2 Managerial Advisory Services Section 4.9 Data Analytics Service equates to Section 5.2 Data Analytics/Continuous Monitoring
60.	General	My company is not based out of North Carolina and we plan on submitting a response to this RFP. I wanted to confirm if my firm can respond to this RFP as an out of state company?	Any vendor may submit a proposal for this solicitation.
61.	Section 5.2 References	I am reviewing your Excel spreadsheet and do not see attachment E? Alternatively, I can submit my own form with at least 5 references. I just want to make sure I am following the directions.	Attachment E Reference form has been added to section 6.3 of the sourcing event.
62.	Section 3.8 Proposal Contents	Item g, Attachment E: Customer Reference Form states that vendors are to include a, 'completed and signed version of Attachment E: Customer Reference Form.' There is not an Attachment E form issued. Can North Carolina Division of Purchase and Contract issue Attachment E: Customer Reference Form?	Attachment E Reference form has been added to section 6.3 of the sourcing event.
63.	Section 2.4 RFP Schedule	RFP Schedule lists August 22, 2023 @ 2:00pm ET as due date and time for vendors to submit proposals. The Ariba Sourcing portal lists August 21, 2023 @ 2:00pm ET as due date and time for vendors to submit proposals. Can North Carolina Division of Purchase and Contract confirm the day and time responses for this opportunity are due by?	The bid opening date was revised in Addendum #1. The bid opening is now scheduled for September 6, 2023 @ 2:00 PM. Any further modifications to the RFP schedule will be posted via an addendum posted in the Ariba Sourcing Tool.
64.	Att. A Pricing Form	The event indicates that the Pricing Form should be an Excel file, but it's a pdf. Should we provide the table from the pdf in an Excel file?	The Pricing form provided in the sourcing event is a PDF document.

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Question #	Document Section	Vendor Question	State's Response
65.	Att. A Pricing Form	Will NCDOA allow Vendors to submit additional roles (e.g., for Subject Matter Experts) and associated rates outside of the four roles (Staff Base/Upper Rate, Supervisor, Executive) listed within the pricing form?	At the end of Section 4.9 – “Other professional staff” can be added to any of the service categories.
66.	Att. C General Terms & Conditions	Can Vendors utilize offshore resources to support the scope of work listed in the solicitation?	It is possible depending on the specific set of circumstances in which offshore resources are being utilized.
67.	Exhibit 2: Example Auditor's Professional Qualifications	Within Exhibit 2: Example of Auditor's Professional Qualifications, most Base Rate qualifications require 2 or 3 years of experience within the service category. Are Vendors allowed to use resources that don't meet the minimum years of experience even if there is proper oversight of an individuals performance and quality of work?	Exhibit 2 are examples and not requirements. The expectation for rates are that less experience staff would garner a lower hourly rate and more experience staff would have a higher hourly rate.
68.	Page 21, para 5.2g. Financial Audit	Please clarify the narrative found in this section pertaining to Financial Audits. The summary statement opening this section reads "Independent financial statement audits to attest to the fairness and accuracy of financial statements are not within the scope of this RFP." However the text that follows appears to clearly define audit services as they are defined in relevant professional guidance. Please advise as to what services are envisioned by DOA under this category.	Financial audits can range from verifying information in program report is complete and accurate to verifying financial controls are working properly. Opining on the fairness of the financial statement for an agency is not part of this RFP.
69.	Exhibit 2: Example Auditor's Professional Qualifications	Please reconcile the service category for Construction Audits found on page 27, Exhibit 2, last row with the pages 19-22 - scope of work section. This category does not appear to be included in the RFP's scope section, please advise.	Construction audits are not a service category but will follow under compliance audits in Section 5.2 and Assurance audits in Section 4.9
70.	Section 4.10 Work Papers	Please confirm that bidders will be permitted to retain copies of work papers in order to comply with applicable professional standards (e.g. AICPA)	Per section 4.10a, Vendors shall not retain copies of any work papers unless the Vendor is required to comply with quality assurance review auditing standards and when the soliciting agencies agrees, in writing, to waive this requirement. Vendors required by the AICPA or a State governing body to maintain workpaper for external quality assurance review purpose will be allowed to retain copies but may not use any state data obtain during the scope of work, for any other purposes.

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71.	Section 4.10 (c) Confidentiality and North Carolina General Terms and Conditions	Would the State please consider the negotiation of limited data disclosure to third party vendors who perform various administrative and clerical functions for the Firm?	The State reserves the right to negotiate this term of the contract prior to contract award.
72.	North Carolina General Terms and Conditions	Would the State consider the negotiation of a Limitation of Liability provision?	The State reserves the right to negotiate this term of the contract prior to contract award.
73.	Section 4.10 (Work Papers) and North Carolina General Terms and Conditions	Would the State please consider the negotiation of a mutually agreeable IP Ownership provision as it relates to any resulting contract? We would seek to protect our organization's intellectual property and allow for residual knowledge rights related to our services.	The State reserves the right to negotiate this term of the contract prior to contract award.
74.	North Carolina General Terms and Conditions	Would the State please consider the negotiation of a reasonable opportunity to cure for any material deficiencies which results in the Vendor's breach of contract?	The State reserves the right to negotiate this term of the contract prior to contract award.
75.	North Carolina General Terms and Conditions	Would the State please consider the negotiation of limited changes to the general indemnity provision which holds the Vendor responsible for third party claims related to death, bodily injury, or damage to tangible property?	The State reserves the right to negotiate this term of the contract prior to contract award.
76.	Section 5.2g Financial Audits	We understand that independent financial statement audits attesting to the fairness and accuracy of financial statements are not within the scope of this RFP. However, this service category requests "verification of the financial statements, or a component of the financial statement, of a legal entity with a view to express an audit opinion. The audit opinion is intended to provide reasonable assurance that the financial statements are presented fairly." Can you please provide further distinction between "independent financial statement audits" and "financial audits" related to the scope of services being requested? Or confirm if these services are all out of scope for this contract?	Financial audits can range from verifying information in program report is complete and accurate to verifying financial controls are working properly. Opining on the fairness of the financial statement for an agency is not part of this RFP.

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Question #	Document Section	Vendor Question	State's Response
77.	Section 2.3 & North Carolina General Terms and Conditions	13. ACCESS TO PERSONS AND RECORDS - we request the following change: "...the State Auditor and any Purchasing Agency's internal auditors shall have access to persons and records related to the Contract to verify accounts and data affecting fees or performance under the Contract, as provided in G.S. 143-49(9), upon reasonable advance written request."	The State reserves the right to negotiate this term of the contract prior to contract award.
78.	Section 2.3 & North Carolina General Terms and Conditions	6. GENERAL INDEMNITY - we request replacing Paragraph A with the following: "Provided that the Vendor is notified in writing within 30 days of the date that the State has knowledge of applicable claim, Vendor agrees to indemnify, defend and hold harmless the State (including, without limitation, its officers, directors, shareholders, employees, agents, successors, and assigns) from and against any and all claims, debts, liabilities, damages, demands, obligations, costs, expenses (including, without limitation, reasonable attorneys' fees and court costs), actions and causes of action arising from (a) the breach of any of the terms of the contract by Vendor or any party acting by or through Vendor (including, without limitation, any of its representatives); (b) the violation of any applicable law or regulations; or (c) a claim asserted by any third-party based on the negligence of the Vendor in the performance of the contract. This paragraph shall survive the termination of the contract including any renewal or extension thereof; provided, however, that the maximum aggregate liability of Vendor with respect to the indemnification obligations of this Contract shall not exceed the sum of ten million dollars (\$10,000,000.00)."	The State reserves the right to negotiate this term of the contract prior to contract award.
79.	Section 2.3 & North Carolina General Terms and Conditions	20. CARE OF STATE DATA AND PROPERTY - we request the following change: "The Vendor shall notify the State of any security breaches within 24 48 hours..."	The State reserves the right to negotiate this term of the contract prior to contract award.

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Question #	Document Section	Vendor Question	State's Response
80.	Section 2.3 & North Carolina General Terms and Conditions	28. FEDERAL FUNDS PROVISIONS, i) Access to Records, paragraph 1 - we request the following change: "Upon reasonable advance, written notice, The Vendor agrees to provide the Purchasing Agency, the Administrator of the federal agency providing funds hereunder, the Comptroller General of the United States, or any of their authorized representatives access to any books, documents, papers, and records of the Vendor which are directly pertinent to this Contract for the purposes of making audits, examinations, excerpts, and transcriptions."	The State reserves the right to negotiate this term of the contract prior to contract award.
81.	Section 4.10 Additional Requirements	d. Records Retention - we request the following change: "Record retention requirements shall be consistent with any pertinent regulatory or other requirements and records shall be maintained for a minimum of ~~ten~~ eight years.:	The State reserves the right to negotiate this term of the contract prior to contract award.
82.	Section 4.3 HUB Participation	Can the goal of 10% utilization be achieved with an MBE, WBE or Veteran firm?	The vendor is not required to meet the goal of 10%, but documenting the vendors status of small, minority, physically handicapped, and women contractors in purchasing Goods and Service or strategic plan, should be provided in the Attachment, to allow the State to pursue efforts for the State's goal of meeting the 10%.
83.	Section 4.9 Cost Proposal	Is the State seeking one rate for each professional level, to remain applicable for the duration of the five-year contract, or should bidders provide rates by level with applicable increases for each year?	Vendors must provide their best current hourly rates. Changes to the contract during its duration must be agreed upon by both the State and the Vendor and documented through written contract amendments.
84.	Section 5.1 General	Will the vendor be required to follow up on reported findings and recommendations?	The Vendor will only be required to conduct follow up work, if the soliciting agency requesting a quote includes follow up to recommendations in a scope of work.
85.	Attachment F, Location of Workers Utilized by Vendor	Attachment F indicates the State will evaluate the use of potential resources out of the U.S. Are you able to confirm whether the use of offshore resources will be allowed for this work? What percentage of the work can be estimated as needing to be done on-site at a State location vs performed remotely? I'm sure the nature of each audit will dictate that, but if there are no specific reasons (onsite physical observation of a data center for example) why on-site work would need to be performed is remote work acceptable?	Per Attachment F, The State will evaluate the additional risks, costs, and other factors associated with the utilization of workers outside of the United States prior to making an award. The State cannot estimate the proportion of on-site work versus remote work that is needed. The decision on whether remote work is acceptable shall be mutually agreed upon by the soliciting agency and the contracting vendor. Please refer to Exhibit 3 for more information.

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Question #	Document Section	Vendor Question	State's Response
86.	General Solicitation	Do you envision any of this work being performed as staff augmentation where the State will supervise the vendor's resources, or would all resources needed to perform work be supervised by the vendor's management and leadership team?	No. The purpose of this solicitation does not include scope for staff augmentation.
87.	Section 4.8 Financial Statements	Related to the disclosure of financial statements, we are a privately held limited liability partnership and do not routinely disclose firm financial information like most large CPA firms. The RFP indicates financials are worth 200 points. Is it acceptable to provide you our insurance for liability claims and our bank contact information if you feel the need to discuss our firm's financial stability? This approach was acceptable the last time we bid on this same contract and want to ensure we do not lose points under this method as our firm is financially stable.	Yes. Section 4.8(b)(1) requires the vendor to provide "...such other evidence that is accurate, reliable and trustworthy regarding the Vendor's financial stability."
88.	Att. A Pricing Form	If offshore resources are allowed to be used per the above question (#88), how would you like us to document those rates since there is no specific place for "Other" rates on the form and those rates would be lower than our staff base rate listed on the form?	Section 4.9 last paragraph can be applied to any service category and states: Other professional staff – At their discretion, responding firms may include hourly rates for additional professional advisory staff experienced in organizational operations, business administration, economic or revenue analysis and related managerial advisory tasks and functions. A vendor should list Off-shore staff and the applicable rates.
89.	Section 4.10a Additional Requirements	If the State requires us to draft audit reports for internal audit work, would those reports be on our firm's letterhead or State of NC letterhead for the respective agency or university the report pertains to?	Audit reports should be on the firm's letterhead.
90.	Section 4.3 HUB Participation	The RFP seems to indicate 10% is the goal for the usage of minority, women, and disabled businesses (historically underutilized businesses per the form). Can you confirm that is the goal of this RFP such that if my firm is not considered one of these types of organization that we should plan on subcontracting 10% of this work to firm that is classified as one of these types of organizations?	The vendor is not required to meet the goal of 10%, but documenting the vendors status of small, minority, physically handicapped, and women contractors in purchasing Goods and Service or strategic plan, should be provided in the Attachment, to allow the State to pursue efforts for the State's goal of meeting the 10%. For information about becoming a certified HUB vendor, please visit: https://ncad-min.nc.gov/divisions/historically-underutilized-businesses-hub/certifications

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91.	Section 4.11 Personnel /5.0 Scope of Work	Many of our Internal Audit consultants can also do Managerial Advisory work since there is some overlap and crossover. Can you confirm it is acceptable to leverage some of the same individuals in multiple scope areas such as these provided those individuals possess the required skills?	Yes, this is acceptable.
92.	Section 5.0 Scope of Work	The RFP discusses Compliance audits and Financial Statement audits and seems to indicate that the vendor may be asked to perform these. Can you confirm contractual compliance (for example), but a formal opinion won't be required as an attest financial statement audit would these won't be considered attest audits, such that the vendor may test financial controls or controls related to?	Financial audits can range from verifying information in program report is complete and accurate to verifying financial controls are working properly. Opining on the fairness of the financial statement for an agency is not part of this RFP.
93.	Section 2.8 Proposal Contents	Indicates we need to complete Attachment E – Customer Reference Form, but this did not seem to be on the portal to download. As discussed in the pre-proposal conference, can you add to the portal?	Attachment E Reference form has been added to section 6.3 of the sourcing event.
94.	Section 5.5 Technical Response	Section 5.5 says we should provide a “description of each task and deliverable and the schedule for accomplishing each”. How would you like us to document this when no specific scope of work has been identified? Should we just provide a general description of how we typically perform an internal audit, forensic investigation, etc. for each in scope area?	Vendors are required to provide their organization and approach to accomplishing Sections 5.1 – 5.3, as the Scope of Work for conducting described type of audits, using their current business practices.
95.	Att. A Pricing Form	The rates listed are staff base rate, staff upper rate, supervisor, and executive. Can you confirm a staff upper rate would be similar to senior internal auditor and a supervisor would be similar to an internal audit manager role? Also, our firm, like many others, has a senior manager role. Can we document in the supervisor column on the form both a base rate for the manager role and an upper rate for a senior manager?	Do not deviate from the requirement in Att. A Pricing form. The prices provided are a ceiling rate. When a Vendor is responding to a request for quote from a soliciting agency, the rates provided in the quote may be lower but cannot be higher than the amounts provided in the Vendor's proposal. The Cost Proposal form has been updated to allow for additional position categories.

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Question #	Document Section	Vendor Question	State's Response
96.	Section 5.0 Scope of Work/Exhibit 2	Construction audit shows in Exhibit 2 and the Pricing Form but is previously not mentioned as a requested service in Section 5 of the RFP. Can you clarify if this is in scope of this RFP and if we need to provide rates and technical experience in this area?	Construction audits are not a service category but will follow under compliance audits in Section 5.2 and Assurance audits in Section 4.9
97.	General Solicitation	Does the Department of Information Technology in North Carolina provide the centralized governance standards that all other agencies in the state need to follow with regards to IT security, IT compliance, IT Systems Development and Acquisition, Baseline Configurations for Server Operating Systems and Databases, Identifying and Classifying their sensitive IT Systems and the frequency in which they are audited, etc.?	Yes.
98.	General Solicitation	Does North Carolina IT follow a particular governance standard for Information Technology and Information Security (e.g., NIST, ISO27001, other)?	You can view NC DIT Security, Privacy & Data Protection Policies & Forms here: State IT Policies NCDIT
99.	General Solicitation	Does North Carolina have IT Security governance standards in place that each state agency using Third Party vendor hosted or cloud-based systems must follow?	Yes. There are specific requirements and approvals needed for storing States data in cloud-based third party hosting sites. You can view NC DIT Security, Privacy & Data Protection Policies & Forms here: State IT Policies NCDIT
100.	General Solicitation	Does each North Carolina state agency support their own internal Infrastructure, or does the Department of Information Technology provide Managed Services IT support to state agencies?	It varies by agency but many cabinet agencies are supported by the Department of Information Technology (DIT) while most Council of State agencies are not supported by DIT and maintain their own infrastructure.
101.	SECTION 5.G.2 Financial Audits	Will the State provide more detail about the types of financial audits requested? Are previous audit results publicly available?	Financial audits can range from verifying information in program report is complete and accurate to verifying financial controls are working properly. Opining on the fairness of the financial statement for an agency is not part of this RFP. An agency's internal audit reports are subject to public records request.

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102.	SECTION 2.8.B Proposal Contents	Can vendors provide proposal responses on their own letterhead and include the execution pages from the RFP, or must all responses be drafted and submitted within the RFP document?	All responses must include all execution pages, along with the body of the RFP (with response to all questions answered), along with any addenda and attachments required to be returned. Additionally, (See Section 2.8.d) vendors shall provide response to all free form response addressing required response on their own letterhead. All information should be uploaded to the Sourcing Tool. Failure to provide all required items or submitting incomplete items may result in the State rejecting their proposal.
103.	SECTION 5.0	Construction audit is listed in Exhibit 2 and Attachment A, but not in 5.0 Scope of Work. Can the State confirm if Construction Audit services are in-scope for this contract?	Construction audits are not a service category but will follow under compliance audits in Section 5.2 and Assurance audits in Section 4.9
104.	SECTION 4.3	Can the State confirm that the 10% HUB utilization is not required for this proposal response but rather for future responses to Request for Quotes under this contract?	The vendor is not required to meet the goal of 10%, but documenting the vendors status of small, minority, physically handicapped, and women contractors in purchasing Goods and Service or strategic plan, should be provided in the Attachment, to allow the State to pursue efforts for the State's goal of meeting the 10%. For information about becoming a certified HUB vendor, please visit: https://ncadmin.nc.gov/divisions/historically-underutilized-businesses-hub/certifications
105.	SECTION 4.11	Can the State confirm which labor categories it is evaluating in 3.4 Evaluation Criteria: Personnel (4.11)? Is the State evaluating the following labor categories per service category, as the Attachment A: Pricing Form suggests? a. Lower staff b. Upper staff c. Supervisor d. Executive	Pricing categories are not being evaluated for staff qualifications. For each service category in Section 5.2 that is included in a Vendor's proposal, the Vendor is responsible for providing information on staff qualifications that supports the ability to perform the specific service. Vendors may provide resumes for executives, supervisors (manager), or staff.
106.	SECTION 5.2.f	Can the State provide information about how many auditable areas are there and expectation of time to complete each audit?	The number of auditable areas is unknown. There are 38 State agencies and universities, 58 community colleges, 115 local education agencies and several regulatory boards that may use this state term contract. The time to complete each audit should be specified by the soliciting agency in the Request for Quotes/Scope Statement. Refer to Exhibit 3.

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107.	SECTION 5.2.f	Does the State have personnel on staff to carry out some of the activities listed?	Soliciting agency requesting risk assessment and audit plan development may or may not have staff to carry out some of these activities. This would be indicated in the soliciting agency's Request for Quotes/Scope Statement.
108.	Section 4.5 References	Can the 5 projects be ongoing or do they have to be completed?	The projects may be ongoing.
109.	Section 4.4 a), Vendor Experience	May we provide a list of similar projects with client names and project titles, or does the State require short descriptions of each project as well? We will be submitting detailed project descriptions in our reference response.	Section 4.4 requires that Vendor demonstrate their experience with public and/or private sector clients with similar or greater size and complexity to the State. Vendor shall provide information as to the qualifications and experience of all executive, managerial, legal, and professional personnel that were assigned to similar projects. This information is different from what is requested in section 4.5.
110.	Section 4.7 a), External Reviews and Regulatory Action	Can we provide just the review letter and comments, not the whole report?	The Vendor must provide the opinion received and all deficiencies identified.
111.	Section 5.4, Project Staffing	May we provide a table with the names of consultants who may provide services, with columns indicating which service categories they would provide services for?	Yes. However, vendors must also provide information as to the qualifications and experience of audit, accounting, data analytics and managerial advisory personnel to be assigned to each of the service categories for which the Vendor submits a proposal.
112.	Section 5.5 Technical Approach	Does the state want a draft, detailed workplan for each service category, or would a more general description of our approach to each category be sufficient?	Vendors are required to provide their organization and approach to accomplishing Sections 5.1 – 5.3, as the Scope of Work for conducting described type of audits, using their current business practices. Vendors should provide a general description of the approach taken to complete each service category.
113.	Section 5.5 Technical Approach	What Key Personnel qualifications should be included in this part of our proposal? Is the State looking for principal, senior auditor, and project manager level qualifications?	Key personnel are individuals that have the responsibility for ensure milestones, deadlines and/or accomplishment of project objectives are achieved.
114.	General Solicitation	Due to technical issues with the eVP and Ariba systems, we were not able to access the Ariba event with the attachments and additional instructions until 7/31. Would the State consider extending the proposal due date to August 29th?	The proposal due date and bid opening has been changed to September 1, 2023.
115.	Exhibit 2	For the Qualifications listed in Exhibit 2, do these apply to all personnel working on the project or can they apply to only some?	These are examples that may relate to some personnel.
116.	Section 5.2e, Data Analytics /Continuous Monitoring	Are the firms providing Data Analytics services required to have audit experience?	No, firms providing data analytic skills are not required to have audit experience.

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117.	General Solicitation	Will the State favor vendors that can provide all of the service categories?	All qualified proposals will be assessed by the State according to the evaluation criteria and requirements stated in the RFP. The State will award based on what is deemed most advantageous for the State.
118.	Section 4.6 Legal Right to Practice in NC	Could the State kindly provide clarification on the requirements specified under Section 4.6? Specifically, we seek clarification on whether vendors are obligated to furnish one of the mentioned points or if vendors are required to provide all of them.	The Vendor must demonstrate it is legally authorized to practice in North Carolina. One item on the list would validate this legal right.
119.	Exhibit 3	Under section 11 COST (AND PROJECT HOURS), could the State please clarify how they want vendors to address column "Number of Staff"?	. Exhibit 3 will only be completed once a soliciting agency request a quote for services. The number of staff would be the full-time equivalent. Example: Vendor provides one full-time and one-part time staff to work on the projects continually, staff = 1.5
120.	Exhibit 3	Under section 11 COST (AND PROJECT HOURS), could the State please clarify if vendors have to provide the number of resources, they are proposing in column "Number of Staff"?	Additional clarification should be inquired of the soliciting agency.
121.	Section 5.4 Project Staffing	Could the State please clarify if they must provide actual or sample resumes? If actual resumes are required, can we replace these resources at the task order level if they are not available?	Vendors must show how staff qualification and if these staff leave the Vendor's employment or do not have capacity, staff of similar years and experience may take their place.
122.	Section 4.9 Data Analytics Service	Data Analytics Service, it says, "Other Professional Staff" Could the State please clarify what information or positions the State wants vendors to provide?	Section 4.9 last paragraph can be applied to any service category not just Data Analytics. The State is providing Vendors the opportunity to provide additional staff to the approved list. These would be subject matter experts such as economic or revenue analysis for data analytics or an organizational behavioral specialist for operational/performance audits.
123.	Section 4.9 Data Analytics Service	Data Analytics Service, it says "Other Professional Staff" could the State please clarify if vendors can provide any Data position under this category?	Section 4.9 last paragraph can be applied to any service category not just Data Analytics. The State is providing Vendors the opportunity to provide additional staff to the approved list. These would be subject matter experts such as economic or revenue analysis for data analytics or an organizational behavioral specialist for operational/performance audits
124.	Section 4.8 Financial Statement	Could the State please clarify if vendors only have to provide one of these points, not all?	Yes, just one of the points.

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125.	Section 4.7 External Reviews and Regulatory Action	Could the State please clarify if vendors who can provide point b but not point a are still eligible to bid on this solicitation?	Only vendors required by the AICPA are required to meet 4.7a. Vendors not required to obtain a peer review must 4.7b and fully describe the system of quality controls.
126.	Section 5.2 d Information Systems Audits	Could the State please clarify if they are looking for vendors to provide IT Staff Augmentation services to recruit the positions once the contract is awarded, or is the State looking for a vendor who has In-house personnel to fill the positions required?	Soliciting agency will drive the types of services needed. Agencies may solicit for a turn-key IT audit where the Vendor is responsible for planning, testing and report writing.
127.	Section 5.2 d Information Systems Audits	Could the State please clarify if this solicitation is for IT Staff Augmentation services or deliverable-based project services?	Deliverable based project services only.
128.	Section 4.3 HUB Participation	Could the State please confirm if it is mandatory to use a HUB subcontractor to bid on this solicitation?	It is not mandatory to use a HUB subcontractor.
129.	Section 4.5 References	Could the State please confirm if vendors can provide ongoing contracts as references?	Vendors may provide references for on-going contracts.
130.	General Solicitation	Could the State please confirm if this a new contract? If not, could the State please share the incumbent names?	The State is seeking to establish a new Statewide Term Contract (STC). Information regarding vendors on the current STC can be found here .
131.	Section 4.9 Cost Proposal	For the upper rate information systems auditor, can equivalent experience (such as 8 years) be substituted for a Master's degree?	Section 4.9 for assurance audits upper rate states: The maximum rate that the Vendor will provide an auditor with expert qualifications that demonstrated success. Upper Rates as quoted in this RFP will preclude any Vendor from offering a rate for an auditor higher than the established upper rate in response to a soliciting agency's request for services. Exhibit 2 provides examples only.