

C-5

Minnesota Office of the Legislative Auditor

OLA Program Evaluation Division

OLA Master Contracts: Audit and Actuarial Services

More Information

The Office of the Legislative Auditor published an RFP for proposals from firms or individuals qualified to provide audit and/or actuarial services on an as-needed basis over the next several years. This RFP closed 8/23/2013. ✓

Manager: Valerie Bombach

OLA initiated the RFP pursuant to Minnesota Statutes 2012, 256B.69, subd. 9(d), which directs OLA to contract with an audit firm to audit information provided by managed care and county-based purchasing organizations to the State of Minnesota for public health care programs. Contractors will work under the direction of OLA to audit and analyze financial statements and records, provider payment rates and claims data, medical services utilization data, and other data. Information about initial work to be performed via the master contracts can be found in this description of our evaluation of **Managed Care Organizations' Administrative Expenses**.

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FROM
OLA
WEB
PAGE
9/16/13

OLA Request for Proposals and Attachments, 7-29-13

OLA responses to RFP inquiries can be accessed by clicking on the link below:

OLA Audit and Actuarial RFP: Questions and Answers, 8-16-2013

RFP Process and Schedule

Publication of RFP in State Register	7/29/2013
Deadline for questions	8/9/2013, 4:30 p.m., Central Time
Anticipated response to questions	8/16/2013, 4:30 p.m., Central Time
Proposals due	08/23/2013, 4:30 p.m., Central Time
Anticipated proposal decision	09/6/2013

All correspondence regarding the RFP process and/or the subject of this RFP should include the RFP title(s) in the subject line and must be made in writing to:

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
658 Cedar St., Room 140
St. Paul, MN 55155
valerie.bombach@

Other OLA personnel are **NOT authorized to discuss this Request for Proposals with responders before the proposal submission deadline. Contact regarding this RFP with any personnel not listed above could result in disqualification.*

C-4.a

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Program Evaluation Division

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OLA Master Contracts: Audit and Actuarial Services

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658 Cedar St., Room 140
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[valerie. \[REDACTED\]](mailto:valerie. [REDACTED])

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More Information

- [Manager: Valerie Bombach](#)

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Contact Us

- **Phone:** (651) 296-4708
- **Fax:** (651) 296-4712
- **TTY/TDD Relay:** (800) 627-3529
- **E-Mail:** Legislative.Auditor@state.mn.us
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Office of the Legislative Auditor ♦ Room 140, 658 Cedar St., St. Paul, MN 55155

Minnesota Office of the Legislative Auditor

Response to inquiries re: OLA Request for Proposals for Qualified Contractors to Submit Proposals to Provide Audit and Actuarial Services, posted July 29, 2013

OLA has grouped inquiries by subject area and, in some instances, edited questions for readability or to preserve confidentiality.

Licensure

Questions

1. For the Audit Services category of the RFP, is it a pass/fail requirement that the contractor be licensed in accordance with *Minnesota Statutes* 2012, chapter 326A?
2. We have submitted our application to the Minnesota Board of Accountancy to be certified as a CPA firm and our application is pending. Would documentation showing our submission for licensure satisfy the licensure requirement of the RFP?

OLA Response

Pursuant to *Minnesota Statutes* 2012, 256B.69, subd. 9(d), the contractor conducting the audit work described in the Audit Services category must be a firm licensed in accordance with *Minnesota Statutes*, chapter 326A. OLA will accept and consider proposals from any responder who documents they have applied for such licensure and approval is pending; however, the licensure must be awarded as a condition of and prior to entering into a master contract with an otherwise qualified responder. Such responders should note that OLA will not delay commencing the audit work and will proceed with awarding work order contracts to approved contractors.

Conflict of Interest

Questions

3. Would OLA accept proposals from a responder who does or could potentially provide services for a Minnesota state agency or managed care organization, where such services pertain to public health care programs? Would OLA disqualify these responders due to conflict of interest?
4. It is our understanding the master contracts will be valid from September 2013 to August 2016, with the option to extend an additional two years in increments determined by OLA. For which historical time periods does the OLA anticipate the contractor will provide audit and/or actuarial services?

OLA Response

Contractors working or potentially working for a managed care organization or a Minnesota state agency for Medicaid-related services will not necessarily be deemed ineligible for all work under OLA's master contracts. OLA will examine recent, current, and future business relationships to make the best use of contractors' expertise and to avoid conflicts of interest when awarding work assignments. We encourage

responders to review the description of our evaluation *Managed Care Organizations' Administrative Expenses*; *Minnesota Statutes* 2012, 256B.69 subds. 9(c) and 9(d); and *Laws of Minnesota* 2013, chapter 108, art. 6, sec. 22, for more details about the broad scope of work required today and in the future. Proposers should note that the work outlined in *Minnesota Statutes* 2012, 256B.69, subds. 9(c) and 9(d), is subject to change by the Minnesota Legislature.

Work assigned under the master contracts will focus on managed care organizations' financial information for 2012 and later years (as reported to the State in 2013 and later) and Department of Human Services' rate-setting activities for health care program contract years 2014 and later. Some smaller tasks likely will require analysis of data or methods used for health care programs contract year 2013. Please note that the RFP, page 7, requires responders to provide OLA with a list of managed care organizations for which a responder provided services during the past five years AND a list of any other potential relationships that may create the appearance of a conflict of interest.

Scope of Work

Questions

5. Please confirm the following programs are included in the scope of Minnesota Public Health Care Programs: Medical Assistance (MA), MinnesotaCare, Minnesota Family Planning Program, Home and Community Based Waiver Programs. Are there others?
6. When the RFP refers to Medicaid managed care organizations in the State of Minnesota, does this cover all managed care Medicaid populations including MSHO and MSC+ (Seniors populations)?

OLA Response

The audit work will include examining financial information reported by managed care organizations for services they provided for Minnesota's public health care programs during 2012 and later. (That is, the scope of work excludes services via fee-for-service arrangements with the Department of Human Services.) As of 2012, the programs were MinnesotaCare and Medical Assistance, including the Prepaid Medical Assistance Program and health care programs for the elderly and disabled (Minnesota Senior Health Options, Minnesota Senior Care Plus, Special Needs Basic Care, and Preferred Integrated Networks). Similarly, the actuarial work will pertain to financial information and rate-setting for these programs. Some MA programs integrate services with services provided via the Medicare program; however, OLA audit work will focus on MA-related financial information and rate-setting activities. We note that the program structure and service arrangements for Minnesota's public health care services is evolving and, thus, these "programs" may differ in future years.

Question

7. How often would OLA like to meet throughout the engagement? What format would OLA like these meetings to take place? In-person/teleconference/formal vs. in-formal?

OLA Response

OLA intends to work closely with the contractors, and the frequency of engagements will vary depending on the work assignment. As a general rule, OLA will engage with a contractor at least once per week during the course of work; more frequent meetings or discussions likely will be necessary during the initial phase of any assignment. OLA is sensitive to minimizing travel costs and is open to using the most cost-effective means for these engagements, including teleconferencing.

Question

8. Where will this work be done? At the OLA site or can it be performed at the contractor's local office?

OLA Response

OLA expects the work to take place either on-site at a managed care organization or at the contractor's local office.

Question

9. Will the OLA allow a question and answer opportunity between the contractor and managed care organizations during the course of completing the tasks within the statements of work? Will the contractor be able to prepare a data request for the managed care organizations to collect the necessary data and reports?

OLA Response

In general, OLA will monitor and facilitate data acquisition to ensure contractors have sufficient information to complete the assigned tasks and develop sound findings and conclusions. OLA will expect contractors to participate in identifying data/information needs—including any data deficiencies—and developing any data requests. In addition, OLA expects that the majority of work assignments will require some direct communication between a contractor and a managed care organization.

Questions

10. Does the OLA anticipate that the audit firm will have the expertise necessary to be responsible for designing the statistically valid sampling plans from which the sample of encounter, claims or other data is drawn? If not, can OLA provide their approach to sampling and/or testing the approximate sample size(s) that the OLA anticipates for these various tests and analyses?
11. Will the contractor be receiving all of the applicable encounter data and conduct samples on that data, or will Minnesota send the contractor specific samples of encounter data?

OLA Response

Contractors with expertise and experience in developing statistically valid sampling plans, testing data, and selecting samples will be viewed favorably when considering work assignments. However, OLA will be involved in—and, in some instances, be responsible for—developing the sampling methodology and extracting the records for analysis by the contractors. Please note that it is OLA's practice to limit the amount of non-public information it obtains to that which is necessary to complete the work. For data practices purposes, OLA may take steps to ensure certain data are encrypted prior to analysis.

Question

12. Will the managed care organizations' financial statements include lag tables to review reserve factors?

OLA response

Yes. Contractors will have access to all information necessary to complete the required analysis and develop sound findings and conclusions.

RFP Process and Clarifications

Question

13. In the last paragraph of Section 1, on page 7, workplans from recent projects is requested. Is the workplan merely a summary of the scope of work, or is there more detail that is needed for this workplan?

OLA Response

Responders should include the following information regarding their workplans from past projects: a brief summary of the scope of work, the objectives/key research questions, deliverables, and the tenure of service.

Question

14. Is a work plan needed for the "Actuarial Services" contract, and what would be a sample work plan address?

OLA Response

A work plan for the Actuarial Services category is required. Responders should provide a sample work plan(s) that illustrates your specific knowledge and expertise. For example, responders asserting their expertise in the federal Medicaid rate-certification process should provide a general workplan that addresses the processes and tasks for verifying that the Department of Human Services' rate-setting activities and information provided to the federal government comply with federal requirements. The workplan should include: a description of the scope of work, including objectives/key research questions; a logical sequence of work; clearly defined tasks and deliverables, including steps to examine high risk data and activities prone to deficiencies; staff/expertise needed for the work; any task dependencies; and a realistic completion date for the work.

Question

15. On the compact disc (CD) that is to be sent to OLA containing the proposal documents, which version of Microsoft Word does Minnesota prefer (97-03.doc, 07.docx)?

OLA Response

OLA will accept either version, although we prefer Word.docx versions.

Question

16. The RFP states that OLA will hire multiple contractors to perform the services on an as-requested and as-needed basis. Is it the intent of OLA to hire one contractor to perform the audit services and one to perform the actuarial services or does OLA intend to hire multiple contractors for each service category?

OLA Response

OLA is not limiting either of the master contracts to a single vendor and is open to hiring multiple contractors for each service category.

Other

Question

17. Is there an incumbent contractor for either the Audit or Actuarial service categories?

OLA Response

No, there are no incumbent contractors for this work. The RFP posted July 29, 2013, is to establish the initial master contracts.



OLA CONTRACTOR INDEPENDENCE

The Office of the Legislative Auditor (OLA) has a long-standing policy to maintain independence and avoid, mitigate, and eliminate conflict of interest in the execution of OLA's duties. OLA implements this policy through professional standards and processes to identify and evaluate threats to independence and apply appropriate safeguards when planning, directing, conducting, or reporting on our work. OLA interprets the attached standards to apply to its own employees, as well as individuals or firms under contract to perform services on behalf of or at the direction of OLA.

To help ensure that contractors and their staff are independent in fact and in appearance on their work orders, OLA will give careful consideration to contractor assignments. In addition, contractors:

1. Must not have provided services to the managed care organization under review during the period for which the work is being conducted;
2. Must disclose any personal circumstances which may result in a real or perceived conflict of interest or threat to their independence; and
3. Must notify OLA if they provide professional advice or services to the audited entity during the course of a work order contract.

OLA will require each contractor and assigned staff to complete an independence questionnaire (1) prior to entering into a new work order contract, and (2) when personal circumstances change or the contractor discovers a situation during the work order contract period which they had not previously disclosed on their most recent independence statement. OLA will provide the independence questionnaire form for contractors to complete and submit to OLA, and OLA will maintain the original signed documents. A copy of the OLA Contractor Independence Questionnaire is attached to this notice.

If an independence issue arises during the course of a work order contract, the contractor must notify the Office of the Legislative Auditor representative of the specific situation and the individuals involved. The Office of the Legislative Auditor will review the circumstances and take steps to mitigate the threat to independence; this action may include revising the scope of work, terminating the current and any pending work order contracts involving the audited entity, and/or terminating the master contract.

OLA References Regarding Audit Independence

OLA recognizes that there are numerous professional guidelines and practices regarding audit independence. Below are key standards and examples for OLA's oversight and management processes.

Standards

Generally accepted government auditing standards (GAGAS) for independence state:

In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent. (GAO, Government Auditing Standards [Yellow Book], 2011, paragraph 3.02)

GAGAS requires the audit organization to identify threats to independence; evaluate the significance of the threats identified, both individually and in the aggregate; and apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level. (GAGAS, paragraph 3.08)

Similarly, the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct requires that "A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services."

Definitions

GAGAS, paragraph 3.14, identifies the following broad categories of threats to personal independence:

- *Self-interest threat*—the threat that a financial or other interest will inappropriately influence an auditor's judgment or behavior;
- *Self-review threat*—the threat that an auditor or audit organization that has provided nonaudit services will not appropriately evaluate the results of previous judgments made or services performed as part of the nonaudit services when forming a judgment significant to an audit;
- *Bias threat*—the threat that an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective;
- *Familiarity threat*—the threat that aspects of a relationship with management or personnel of an audited entity, such as a close or long-term relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective;
- *Undue influence threat*—the threat that external influences or pressures will impact an auditor's ability to make independent and objective judgments; and
- *Management participation threat*—the threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the entity undergoing an audit.

Definitions (cont.)

General definitions regarding “conflict of interest” can be found in *Minnesota Statutes* 2012, 16C.02, subd. 10a, and Minnesota Department of Administration guidance:

- *Organizational (or Institutional) conflict of interest* means that because of existing or planned activities or because of relationships with other persons:
 - the vendor is unable or potentially unable to render impartial assistance or advice to the state;
 - the vendor's objectivity in performing the contract work is or might be otherwise impaired; or
 - the vendor has an unfair advantage.
- *Actual Conflict of Interest* means a situation where the individual has outside interests which conflict with his/her responsibilities to the extent that the responsibilities or decisions are influenced to either the detriment of the work or the benefit of the individual or their outside interests.
- *Potential Conflict of Interest* means a situation where an individual has outside influences and/or interests which could influence future actions.
- *Appearance of a Conflict of Interest* means a situation whereby a reasonable person would conclude that an individual has outside influences and or interest which conflict with his/her work assignments.

Examples

Common examples of situations which would require the notification by the contractor and may require action by OLA include, but are not limited to:

- Being employed and/or owned by the audited entity.
- Having been recently employed by or under contract with an audited entity.
- Seeking employment with an audited entity for which you are assigned audit responsibilities (from the time of the assignment through the issuance of the audit report).
- Having relatives or friends who have incidental business dealings with any audited entity (e.g., supplier or contractor).
- Having immediate family members (spouse, dependent, sibling, or parent) who are employed by an audited entity or who are in a position to significantly influence the financial transactions or management of an audited entity.
- Having other relatives or friends who are employed by an audited entity in an accounting/finance or administrative management position.
- Having outside business interests or past professional or personal experiences that have resulted in financial transactions with an audited entity or transactions subject to the scrutiny and acceptance of an audited entity.
- Planning to run for partisan office, nonpartisan office, or seeking appointment to a public board or commission pertinent to public health care programs.

State of Minnesota
Office of the Legislative Auditor

Contractor Independence Questionnaire

You are required to provide answers to the following questions and, as necessary, supplementary information to help ensure that OLA makes work order assignments that avoid actual or perceived contractor independence impairments. In that regard, it is essential that you respond fully. Your responses should pertain to the work order assignment referenced below. Your answers and the supplementary information you provide will be classified as "private" data by OLA.

Name (print): _____

Current work order contract: _____

1. Have you read, and do you understand and agree to comply with, all of the provisions and requirements in the attached OLA Notice 1.13, regarding contractor independence?

Yes___ No___

2. Within the past five years, have you or a member of your immediate family (spouse, dependent, sibling, or parent) been employed by or worked as an independent contractor for a Minnesota state agency (other than OLA) or a managed care organization involved with public health care programs?

No___ Yes___ If "yes," please provide details.

3. Beyond a member of your immediate family (spouse, dependent, sibling, or parent), do you have a connection to or relationship with a person (family member, friend, or associate) that could create a perception that you are not independent to work on this work order assignment?

No___ Yes___ If "yes," please provide details.

4. Within the past five years, have you or your dependent(s) received a payment or service from a state funded public health care program or organization other than the payments and services provided generally to other residents of Minnesota?

No___ Yes___ If "yes," please provide details.

5. Within the past five years, have you had a dispute with a government program, organization, or official that might affect your ability to be objective, or cause others to perceive you as not objective?

No ___ Yes ___ If "yes," please provide details.

6. Do you have an opinion about public health care programs or organizations, or about certain public officials, that might affect your ability to be objective, or cause others to perceive you as not objective?

No ___ Yes ___ If "yes," please provide details.

7. Within the past five years, have you been formally accused in a citation, report, letter, indictment, or other document issued by a government entity of violating a law, rule, or ordinance (excluding one related to a parking or minor traffic violation)?

No ___ Yes ___ If "yes," please provide details.

8. Beyond the matters addressed in the questions above, are you aware of any relationship, action, or circumstance involving you, your firm, or a member of your immediate family (spouse, dependent, sibling, or parent) that could cause a person to question your independence as a contractor on this work order assignment?

No ___ Yes ___ If "yes," please provide details.

I affirm that the responses provided above are truthful to the best of my knowledge. I also agree to immediately provide the Legislative Auditor with information concerning any relationship, action, or circumstance that would change my response to a question above subsequent to my having completed this questionnaire.

Contractor Signature and Title

Date

Legislative Auditor Signature and Title

Date