

**STATEMENT OF WORK (SOW):
FINANCIAL AUDITING SERVICES
U.S. OFFICE OF SPECIAL COUNSEL (OSC)**

I. Background

The U.S. Office of Special Counsel is a small independent agency in the Executive Branch that follows OMB regulations. The agency has a yearly budget of approximately \$18 million and a staff of approximately 110 employees, most of which are in Washington, DC. Salary, benefits, and rent for office space make up approximately 92% of the \$18 million budget. OSC outsources its accounting to the National Business Center (NBC). Therefore, the accounting records are kept at NBC and NBC prepares the financial statements on behalf of OSC.

II. Scope

The Contractor shall furnish all management, labor, resources, and services (except as may be expressly stated within as furnished by the Government) necessary to perform OSC's Annual Audit of Financial Statements.

The contractor shall perform an audit of OSC financial statements in accordance with GAGAS and with the provisions issued by the OMB on audit requirements for Federal financial statements (currently OMB Bulletin 07-04). To assist in meeting the above requirements, the Contractor shall follow the current GAO/President's Council on Integrity & Efficiency Financial Audit Manual (FAM) (dated July 2008) and related guidance for Federal financial statement audits.

The audit shall include an evaluation of internal control over financial reporting considering OMB Bulletin 07-04 (Audit Requirements for Federal Financial Statements) OMB Circular A-123 (Management Accountability and Control), and GAO Standards for Internal Control in the Federal Government. The audit shall also evaluate the control over the integrity, confidentiality and availability of data maintained in OSC's information systems that are significant to the financial statements in order to assess compliance with OMB Circular A-130, Appendix III, Security of Federal Automated Information Resources. The Contractor shall follow the guidance in the FAM and the GAO Federal Information System Controls Audit Manual to evaluate these controls.

For information system applications that are significant to the financial statements, the Contractor shall obtain an understanding of the system and related internal controls and then plan and perform tests of system controls based on the assessed level of control risk. For those controls the Contractor deems to be effectively designed, the Contractor shall conduct testing to determine that they are operating as intended through a combination of procedures, including observation, inquiry, inspection, and re-performance. For those controls that the Contractor deems to be ineffectively designed or not operating as intended, the Contractor shall gather sufficient evidence to support appropriate findings and to

provide recommendations to improve internal control. These tests should be consistent with the assessed level of control risk.

The Contractor shall also follow the above standards in preparing its reports and other documents, which include but are not limited to the following:

- Opinion Report on OSC financial statements;
- Report on internal control;
- Report on compliance with laws and regulations and;
- Management letter

III. Representative Tasks

This order will be for OSC financial statement audit support services within the scope of work. The Contractor will furnish all personnel, services, materials, and equipment to meet the task objectives and to conduct the necessary work. Representative tasks are described below.

A. Financial Audit Requirements

1. Audit Performance. The Contractor shall perform an audit of OSC financial statements in accordance with GAGAS and with the guidance issued by the OMB on audit requirements for Federal financial statements (currently OMB Bulletin 07-04). To assist in meeting the above requirements, the Contractor shall follow the current FAM, the FISCAM, and related guidance for Federal financial statement audits. The Contractor shall also follow the above standards in preparing its reports and other documents, which include:
 - Opinion Report on OSC financial statements*;
 - Report on internal control*;
 - Report on compliance with laws and regulations*; and
 - Management Letter

* These reports shall be consolidated into one document for inclusion in the Performance and Accountability Report.

The OSC is required by OMB to prepare a consolidated financial and performance report. The consolidated Performance and Accountability report (PAR) due date for FY 2009 is November 15, 2009. The Agency must have the financial statements by approximately November 5 (firm date to be provided later), in order to be able to complete the PAR by the due date.

2. Entrance/Exit and Other Conferences. At the start and completion of the audit, the Contractor shall hold an entrance and exit conferences with OSC's Chief Financial Officer. The Contractor shall also hold progress meetings, at

least monthly, with Agency CFO that include an agenda and a detailed listing of requested information that is overdue. Two meetings may be required during both October and November. During the course of the audit, the Contractor shall be available as needed to brief the CFO on the progress and results to date as well as matters that could have an impact on the due date of the deliverables for the fiscal year being audited.

3. Audit Documentation. The financial audit documentation shall include the following:
 - a. An overall work plan for performing the fiscal year audit under contract. At a minimum, the plan shall include (a) integrated master schedule for completing each phase of the audit, (b) listing of the staff that shall be assigned to the audit, and (c) a schedule of the proposed site visits to be conducted (i.e., OSC headquarters and NBC support contractor locations). This plan shall be submitted to the COTR during the first year of the audit and updated/revised annually as necessary.
 - b. Risk assessments (e.g., general risk, account risk or specific risk, control risk, and fraud risk);
 - c. Set of audit programs detailing audit procedures to be performed;
 - d. Substantive testing plans linked to risk assessments that include sampling approach;
 - e. A summary memo documenting the conclusions reached on each significant accounting cycle and on the audit overall; and
 - f. All audit documentation shall include the purpose, sources of information procedures performed, results thereof, and conclusions as appropriate for the planning, internal control, compliance, and substantive testing phases. For all findings, audit documentation shall clearly show the condition, criteria, cause, effect, and recommendations for improvement. All audit documentation shall be cross-referenced to audit programs, summaries, and reports. All audit documentation shall contain evidence of supervisory review.

The OSC's accounting records will be provided for the basis for preparation of the financial statements and were established to reflect the financial transactions of OSC:

1. *Balance sheet;*
2. *Statement of Net Cost;*
3. *Statement of Changes in Net Position;*
4. *Statements of Budgetary Resources;*
5. *Statement of Financing;*

6. *Notes to the Financial Statements.*

IV. Other Requirements

The financial statements to be audited cover activities of OSC's headquarters in DC, and its three field offices. However, the statements are for the agency as a whole, since there is no independent accounting performed for the field offices.

The Contractor shall travel to the National Business Center (NBC) in Denver Colorado. The Contractor shall travel to OSC in Washington DC, to perform an audit on a sampling of payroll documentation. The current IT environment is Oracle Federal Financials, hosted at NBC.

A. Independence and Nondisclosure

The Contractor warrants that at the time of submission of an offer, until the completion of the contract, that it will be independent in accordance with GAGAS. The Contractor will notify the Contracting Officer immediately of any non-compliance with GAGAS. The Contractor also warrants that it will not disclose non-public information obtained during performance of this order to parties outside the OSC without written consent of the Contracting Officer. This clause covers the Contractor, its principals, and its employees and subcontractors. Independence Statements and Nondisclosure forms are required to be signed by each member of the audit team. The forms will be presented to the vendor upon contract award.

B. Security of Information Technology Resources

The Contractor shall ensure compliance by its employees with Federal directives and guidelines that deal with IT security including, but not limited to, OMB Circular A-130, Management of Federal Information Resources, including Appendix III, Security of Federal Automated Information Resources, the Computer Security Act of 1987 (40 U.S.C. 1441 et seq.), Federal Information Security Management Act, and all applicable Federal Information Processing Standards (FIPS). All Federally owned information is considered sensitive to some degree and must be appropriately protected by the Contractor as specified in applicable IT security policies and plans. Types of sensitive information that may be found on OSC systems that the Contractor may have access to include, but are not limited to:

- Privacy Act information (5 U.S.C. 552a et. Seq.);
- Complaint and litigation information;
- Financial information; and
- Personnel information.

The Contractor shall ensure that all systems connected to the OSC network or operated by the Contractor for OSC conform to OSC's security policies and procedures. All Contractor personnel having access to IT systems **must be U.S. Citizens (verification is required prior to award and within 3 days after being requested by the contracting officer. Otherwise, the intended award will be deemed non-responsive)**. The Contractor shall ensure that all employees have a National Agency and Inquiry Check (NAIC) investigation. Additionally, it is the Contractor's responsibility to pay for recurring checks due to the Contractor's staffing changes. In the event that the NAIC is not satisfactory, as determined by the OSC, access shall not be granted and the contract may be terminated for default. Background screenings may not be required for employees with recent (within the last 12 months) or current Federal Government investigative clearances.

The Contractor shall provide an inventory of all OSC items provided to their employees along with a checkout process that ensures:

- Return of badges, keys, electronic access devices and OSC equipment; and
- Written notification to the COTR of planned employee terminations at least 7 days in advance of the employee's departure. In the case of termination for cause, the OSC IT official shall be notified immediately. All OSC accounts and/or network or systems access granted for terminated employees shall be disabled immediately upon the employee's separation from the Contractor.

The Contractor shall immediately report to the COTR and the OSC's IT Security personnel, any suspected computer or network security incidents identified during performance of this order occurring on any OSC system or Contractor system containing information obtained from the OSC. The Contractor shall provide information on the incident and access to the affected system(s) and system records to OSC and any OSC designated third party so that a detailed investigation can be conducted.

The Contractor shall afford the OSC IT Security if deem necessary access to the Contractor's and subcontractor's facilities, installations, operations, documentation, databases and personnel. Access shall be provided to the extent required to carry out a program of IT inspection, investigation and audit to safeguard against threats and hazards to the integrity, availability and confidentiality of OSC data, and to preserve evidence of computer crime.

The Contractor shall develop procedures and implement plans which ensure that IT resources leaving the control of an assigned user (such as being reassigned, repaired, replaced, or excess) have all OSC data and sensitive application software permanently removed by an OSC-approved technique. OSC-owned applications acquired via a "site license" or "server license" shall be removed

prior to the resources leaving OSC's use. Damaged IT storage media for which data recovery is not possible shall be degaussed or destroyed.

Any Contractor system(s) connected to a OSC network or operated by the Contractor for OSC may be subject to vulnerability assessment or penetration testing as part of the OSC IT security compliance assessment and the Contractor shall be required to assist in the completion of these activities.

When directed by the Contracting Officer, the Contractor shall submit, for OSC approval, a post-award security implementation plan outlining how the Contractor intends to meet the OSC requirements. The plan shall subsequently be incorporated into the contract as a compliance document after receiving Government approval. The plan shall demonstrate a thorough understanding of OSC IT security requirements and shall include, as a minimum, the security measures and program safeguards to ensure that IT resources and information used and acquired by the Contractor and subcontractor personnel:

- Are protected from unauthorized access, alteration, disclosure, or misuse of information processed, stored, or transmitted;
- Can maintain the continuity of automated information support for the OSC contracted tasks; and
- Incorporate management, general, and application controls sufficient to provide cost-effective assurance of the systems' integrity and accuracy.

C. Compliance with OSC Rules, Policies, and Procedures

During all operations on OSC and other Government premises, Contractor personnel will comply with OSC and other Government rules, policies, and procedures governing the conduct of personnel, safety, care and accountability for property and equipment, information security, and the operation of the facility.

D. Government Facilities

During the life of this order, the rights of ingress and egress to and from the Government facility for Contractor personnel will be made available. The Government reserves the right to require Contractor personnel to sign in upon ingress and sign out upon egress to and from the Government facility. The OSC and NBC will provide space, desks, chairs, telephone, internet and copier access, and building security. The Contractor must provide any other equipment and supplies required to perform assigned tasks under this order.

E. Federal Holidays / Weekends

The premises of the Agency will be unavailable to the contractor on weekends and Federal holidays. In the event that the contractor is required to visit Agency premises on a weekend or a Federal Holiday, access is only allowed with the prior approval of the COTR. Below is a list of federal holidays:

- (1) January 1 - New Year's Day
- (2) Third Monday in January - Martin Luther King Jr. Day
- (3) Third Monday in February - Washington's Birthday
- (4) Last Monday in May - Memorial Day
- (5) July 4 - Independence Day
- (6) First Monday in September - Labor Day
- (7) Second Monday in October - Columbus Day
- (8) November 11 - Veterans Day
- (9) Fourth Thursday in November - Thanksgiving Day
- (10) December 25 - Christmas Day

F. Supervision of Contractor Employees

The Government would neither supervise contractor employees nor control the method by which the contractor performs that required tasks. Under no circumstances shall the Government assign tasks to, or prepare work schedules for, individual contractor employees. It shall be the responsibility of the contractor to manage its employees and to guard against any actions that are the nature of personal services, or give the perception of personal services. If the contractor feels that any actions constitute, or are perceived to constitute personal services, it shall be the contractor's further responsibility to notify the contracting officer immediately.

G. Travel

In the event that travel is required under this contract, reimbursement will be made in accordance with the Federal Travel Regulations.

H. Transition Plan

At the end of the contract period, the contractor shall immediately make all of its work papers available to the OSC COTR and the successor auditor in accordance with GAGAS.

I. Period of Performance

Work under this project will commence immediately upon award by the Contracting Officer through November 30, 2009. This contract includes one (1) 12 month base with three (3) 12 month option periods.

V. Subcontracting

This order or any part of this order may not be subcontracted by the Contractor without the prior written approval of the Contracting Officer, unless the subcontract/s was included in the proposal forming the basis for order award. The Contractor shall incorporate all GSA Schedule Contract/Federal Acquisition Regulation (FAR) clauses and clauses included in this order in all subcontracts where the requirements of a clause are applicable to the performance of the subcontract.

The contractor shall submit a subcontracting plan to the CO for review and approval. The subcontracting plan shall include a detailed explanation of the circumstances necessitating the need for the subcontractor. The plan shall also include resumes for the proposed subcontractor personnel. Proposed subcontractors shall have comparable qualifications to those required by this contract.

VI. Deliverable and Reporting Requirements

A. Technical Reports

The Contractor shall submit the following reports according to the following schedule:

Project Work-Plan – Contractor shall deliver the Project Work-Plan to the Contractor Officer Technical Representative (COTR) at OSC within two (2) weeks of the project inception.

Final Audit Report - The Contractor shall submit the Final Audit Report to the COTR at OSC two weeks prior to end of contract period of performance.

Management Letter- The Contractor shall submit the management letter to the COTR at OSC two weeks prior to end of contract period of performance.

Project Completion Report – The Contractor shall submit the Project Completion Report to the COTR at OSC One (1) week prior to end of the contract period of performance.

B. Status Reports

The Contractor shall submit to the COTR status reports three (3) times during the contract period: early July, mid August and end of September. These reports should be in an electronic format, concise and both summarizing the results/progress and identify developing issues and problems, according to an agreed upon format that can easily be updated. Subject to COTR approval, these would include:

1. Identification of all professionals rendering assistance in the period by task;
2. Summary of progress on major implementation steps;
3. Identification and description of implementation problems,
4. Other input that may be required for routine reporting, as requested by COTR.

Electronic copies of each deliverable shall be sent to OSC COTR:

VII. Basis for Award

A. Each Offeror's technical proposal will be evaluated in accordance with criteria described in this section. It is important that the Offeror cover each criteria in response to the Statement of Work, The Government is more concerned with obtaining superior technical capability than making an award at the lowest price. The evaluation of the Offeror's compensation will be the secondary importance to the evaluation of technical proposals in making an award. Although cost is of less importance than the technical factors, taken as a whole, it is a factor and must not be ignored. The award will be based on the overall Best Value.

B. Technical Evaluation Criteria

- a. Demonstrate an understanding of the services requested; and your firm's audit methodology and audit approach, including discussions of anticipated problems and its solutions.
- b. Provide technical level of experience and resumes of the Audit Team being proposed for the performance of this requirement.
- c. Provide examples of the firm's previous experience in performing audits working with other small federal agencies.

C. Delivery/Preparation of Proposals

Proposals must be received not later than 4:00 P.M. Eastern Standard Time, April 3, 2009. The proposal must be prepared in three (3) parts; a Technical Proposal, Business Proposal, and Past performance.

Proposal may be mailed, faxed or e-mailed to the following attention:

US Office of Special Counsel
1730 M Street NW Suite 218
Washington, DC 20036
ATTN: Donna M. Fletcher
Email: dfletcher@OSC.com
Fax: 202-254-3612

VIII. Proposed Price

The Contractor shall provide all necessary personnel, material, facilities and transportation required for performance of this requirement for professional accounting/auditing services.

Offeror's shall price out their business proposal for one (1) 12-month base year and three (3) 12-month option year periods. Travel will be awarded at a not to exceed amount.