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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

MEMORANDUM

TO: Prospective Bidders
FROM: Jane Clark, Director of Financial/Compliance Audits
DATE: January 17, 2018
RE: Amendment to RFP 17-13

On January 12, 2018, the Illinois Office of the Auditor General issued RFP 17-13 pertaining to the audit and attestation services pertaining to the Illinois Workers' Compensation Commission.

Today the Illinois Office of the Auditor General is making a clarification to one page in the RFP as follows:

- Page 13, item f added (corrected page is attached)

See website at www.auditor.illinois.gov under Procurement Bulletin, Complete text of RFPs / IFBs.

11. Billing Procedures and Progress Billings. The contract will set forth the total financial obligation of the OAG and contractor must agree to fully complete the statement of work and all contractual obligations within that stated total consideration. Amendments will be permitted only at the OAG's discretion. Billings must be prepared in accordance with the Auditor General's procedures regarding the submission of vouchers or other documentation. The voucher must list a total of the actual professional hours utilized for the work performed (extended at the agreed contract average hourly rate if the contract is an hourly rate contract). If total billings are less than the total consideration allowable under the contract, only the lesser cost shall be paid by the OAG. If progress payments are permitted, the contract will so specify.

12. Special Provisions, if any:

a) For any proposals involving more than one firm (i.e. the primary contractor and the subcontractor(s)) the primary contractor must perform at least 51% of the professional audit hours.

b) This is a complex engagement. Consequently, the firm(s) performing this engagement will be comprised of several teams with multiple sets of skills, experience, and expertise. The technical proposal for the engagement must address specific audit approaches by the various teams along with the level of effort, staffing resources, and areas of expertise proposed. A number of experience requirements are necessary and include, but are not limited to: 1) financial auditing, 2) compliance attestation examinations, and 3) incurred but not reported claim liabilities including reaching conclusions on whether estimates of workers' compensation claims payable over several future periods are fairly presented. Each area must be specifically addressed in detail and the technical proposal must address each of the four specific components on page 7 item C-2, areas i, ii, iii, and iv.

c) An annual financial audit of the IL Worker's Compensation Commission will encompass the Self Insurers' Security Fund only.

d) The financial audit for the year ended June 30, 2018 will need to start as soon as possible after the completion of the FY17 financial and compliance engagement for the year ended June 30, 2017. The OAG envisions the start date for the financial audit for the year ended June 30, 2018 to begin in February 2019.

e) This audit requires the successful proposer to have experience with reporting for incurred but not reported liabilities. In addition, this audit requires a specialist in Actuarial Science with experience in reserve analysis (determination of the uncertain present value of an unknown amount of future loss payments) and a specialist in insurance claim reserves (including indemnity and medical liabilities). Lastly, the OAG prefers the successful proposer have experience in reserve analysis within a small population (75-150 individual claims) and the insurance specialist have experience with worker's compensation claim reserves.

f) The Office of the Auditor General **is not precluding** the public accounting firm (Special Assistant Auditors) that performed the fiscal year 2016 financial audit of the Illinois Workers' Compensation Commission from submitting a proposal as described in this solicitation. In addition, the Office of the Auditor General **is not precluding** the public accounting firm that this Office contracted with to provide consulting services in conjunction with the external audit of the Illinois Workers' Compensation Commission from submitting a proposal as described in this solicitation.