

Contract Number OWC 10-01
Addendum # 1
Issued: March 19, 2010

This Addendum incorporates certain general comments and answers to questions posed before, during and after the optional pre-proposal conference held on March 17, 2010.

GENERAL

Verbal responses to questions at the Pre-Proposal Conference on March 17, 2010 are unofficial and are not binding. Only these written responses may be relied upon by offerors. Participants at the Pre-proposal Conference were required to register their attendance and to provide their business cards. A list of all attendees at the conference is enclosed for informational purposes. Offeror submissions must include a signed copy of this Addendum. Section VI of the RFP requests submission of Written Proposals and uses the phrase “bound copies are requested”. The Commonwealth requests that all hard copy submissions be made in a three ring binder. The submission date remains unchanged.

Name and Address of Firm:

_____	Date: _____
_____	By: _____
_____	(PRINTED NAME)
_____	_____
	(SIGNATURE IN INK)
_____ Zip Code: _____	Title: _____
Fax Number: () _____	Telephone: () _____

1. The RFP indicates that the Commonwealth encourages Contractors to provide for the participation of small businesses, and small businesses owned by women and minorities. Submission of a report of past efforts in this regard and plans for involvement on this contract are required. Is there a standard report format that exists that should be utilized for this purpose?
See Attachment II of the RFP.
2. The RFP indicates that the annual SAS 70 report is to be completed by November 15th following the end of the fiscal year. Historically, when does the fieldwork for this portion of the engagement typically commence?
August
3. Is it possible to discuss some historical examples of the different types of “auditing/accounting services as required” that are referred to in the IV. TASKS section of the RFP?
This category of task would allow for, but not be limited to, event-specific audits that may be identified during the term of the contract. This may include any aspect of the program.

4. [Is it possible to obtain copies of the most recent SAS 70 and loss payment reports?](#)
We request vendors to work with the information provided in the RFP, prebid conference questions and responses to formulate a response and pricing to the RFP. Both this procurement and the prior one are unique and stand on their own.
5. [Is it possible to obtain a copy of the existing contract that is currently still in force?](#)
We request vendors to work with the information provided in the RFP, prebid conference questions and responses to formulate a response and pricing to the RFP. Both this procurement and the prior one are unique and stand on their own.
6. [For item IV a. on page 2, is it your intention for there to be just one report or would there be a report for each of the cost and containment services listed in section II on page 1 ?](#)
Item IV a. will produce one report with subsections by vendor.
7. [What level of involvement would the service provider MCI and sub-service organizations Avizent, and Sedgwick Claims management services provide?](#)
From RFP OWC07-1 - Workers' Compensation Claims Administration and Cost Containment Services :

3.4.5 Audits: The Commonwealth of Virginia will require the Contractor and/or sub-Contractors to submit to a SAS 70 audit and other financial and performance audits from outside companies to assure both the financial viability of the workers' compensation claims management programs and the operational viability. These audits will require the Contractor to provide any assistance, claim file access, information system access, staff access, and space access to the party selected to perform the indicated audit. These audits may be performed annually. In addition, the Auditor of Public Accounts for the Commonwealth of Virginia may choose to perform an audit based on the vendor's contractual relationship with the Commonwealth of Virginia. In such cases, the Contractor is required to provide the same support and cooperation as if the audit was being performed by a company selected by the State's Contract Administrator. In either situation, the State's Contract Administrator will be involved. The Contractor agrees to implement recommendations as suggested by the audits within six months of report issuance at no cost to the Purchasing Agency.

8. [With regard to item IV b. on Page 2 could you provide more detail of what is included in an "audit of paid claims" possibly providing a "sanitized" prior year report that would assist us in our estimate?](#)
This is a separate audit from the SAS70 audit and would entail the auditing of open claim files for accuracy of reserves and total incurred for confirmation the total program loss payment figures. There are approximately 9,500-10,000 claims received per year and a pending lost time claim caseload of approximately 2600 claims.
This audit has not been commissioned under the previous contract. If assigned under this contract it would be expected that a random sample of a percentage of the open claims would be audited and reserves validated based on the current status of the open claim. The

scope of the audit could be expanded, by subsequent agreement, to the entire pending caseload if the findings were inaccurate from the random sample.

9. For item IV d. also on page 2 “audit/accounting services as required” could you please provide examples of items that you would foresee possibly falling into this category? This category of task would allow for, but not be limited to, event-specific audits that may be identified during the term of the contract. This may include any aspect of the program.
10. Are the services provided by Avizent and Sedgwick Claims Management Services, Inc. (sub-service providers to MCI) in scope for purposes of the SAS70 examination?
Yes
11. Is the prior year SAS70 available to assist in the scoping/price estimation for the task?
We request vendors to work with the information provided in the RFP and preproposal conference questions and responses to formulate a response and pricing to the RFP.
12. How many control objectives were tested during the SAS70 examination last year?
Physical and environmental controls
Logical access
Program change management
Back-ups and disaster recovery
Computer operations
Input controls
Processing controls
Output controls
Procedure testing
13. Are the prior year control objectives available for review to assist ?
We request vendors to work with the information provided in the RFP and preproposal conference questions and responses to formulate a response and pricing to the RFP.
14. Will control objectives for the SAS70 be consistent with the prior year?
All prior year control objectives will be required and additional testing of the medical fee bill adjudication systems and EDI transactions will be expected for this current RFP.
15. What was the project fee for this project last year?
The scope of this RFP is expanded from the previous contracted services.
16. How many locations (sites) will need to be visited for purposes of the SAS70?
Three locations:

Claim service provider (claims operation):
101 N. 14th Street, 6th Floor
Richmond, VA 23219

Claim service provider (home office & IT infrastructure)

5000 Bradenton Avenue
Dublin, OH

Medical bill adjudication provider:
1800 Bayberry Court
Suite 200
Richmond, VA 23226

17. **How many systems are used in support of the claims processing activities?**
Claim system (Avizent), medical fee bill repricing system (Sedgwick) and indexing system (ACS).
18. **Attachment 1 to the RFP does not seem to include detailed requirements for formulating a response to the task related to the audit of the reported loss payment figure. What specific response requirements are necessary for this task?**
This is a separate audit from the SAS70 audit and would entail the auditing of open claim files for accuracy of reserves and total incurred for confirmation the total program loss payment figures. There are approximately 9,500-10,000 claims received per year and a pending lost time claim caseload of approximately 2600 claims.
19. **Historically, what have the audit procedures been when performing the audit of the reported loss payment figure?**
This audit has not been commissioned under the previous contract. If assigned under this contract it would be expected that a random sample of a percentage of the open claims would be audited and reserves validated based on the current status of the open claim. The scope of the audit could be expanded, by subsequent agreement, to the entire pending caseload if the findings were inaccurate from the random sample.
20. **Historically, what has been the deliverable for the audit of the reported loss payment figure?**
This audit has not been commissioned under the previous contract. If assigned under this contract it would be expected that a random sample of a percentage of the open claims would be audited and reserves validated based on the current status of the open claim. The scope of the audit could be expanded, by subsequent agreement, to the entire pending caseload if the findings were inaccurate from the random sample.
21. **What is the total dollar amount of the WCS claims population?**
\$930,985,115.69 with an outstanding reserve of \$150,495,389.41
22. **Is it possible to bid on just the SAS70 portion of the RFP? And/or can a firm still propose if they do not meet every requirement of the RFP?**
Yes, however by not meeting the scope of requested services, a partial offer will be evaluated with a lower ranking using the evaluation criteria established in section XV of the RFP. We recommend partnering with another company to provide all requested services. The sign-in sheet for the pre-proposal meeting will be included in Addendum #1 for networking purposes.

23. Is a separate attestation report required for Task B: “Audit of the reported loss payment figure”?

Yes.

24. Have internal control objectives been defined? Are there current written policies and procedures governing the defined control objectives?

Yes

25. a. Have any previous SAS 70 Type I or Type II audits been completed for DHRM?

Yes

b. Are SAS 70 Reports available from Managed Care Innovators (MCI), Avizent, or Sedgwick Claims Management Services, Inc?

We request that vendors work with the information provided in the RFP, prebid conference questions and responses to formulate a response and pricing to the RFP. Both this procurement and the prior one are unique and stand on their own.

c. If not, does the Contractor need to include Avizent, Sedgwick Claims Management Services, and Managed Care Innovators in the scope of work?

From RFP OWC07-1 - Workers' Compensation Claims Administration and Cost Containment Services :

3.4.5 Audits: The Commonwealth of Virginia will require the Contractor and/or sub-Contractors to submit to a SAS 70 audit and other financial and performance audits from outside companies to assure both the financial viability of the workers' compensation claims management programs and the operational viability. These audits will require the Contractor to provide any assistance, claim file access, information system access, staff access, and space access to the party selected to perform the indicated audit. These audits may be performed annually. In addition, the Auditor of Public Accounts for the Commonwealth of Virginia may choose to perform an audit based on the vendor's contractual relationship with the Commonwealth of Virginia. In such cases, the Contractor is required to provide the same support and cooperation as if the audit was being performed by a company selected by the State's Contract Administrator. In either situation, the State's Contract Administrator will be involved. The Contractor agrees to implement recommendations as suggested by the audits within six months of report issuance at no cost to the Purchasing Agency.

26. RFP Page 2, Sector IV, Tasks, Letter D – Have auditing services been provided by an outside Contractor in the past and may we get a copy of the report?

We request that vendors work with the information provided in the RFP, prebid conference questions and responses to formulate a response and pricing to the RFP. Both this procurement and the prior one are unique and stand on their own.

27. RFP page 15, Section E Audits – Is the contractor to provide assistance for other audits under the contract? Please clarify and explain how this may be relevant to the scope of work.
If the Commonwealth’s internal auditor requests information contractor shall work with them.
28. RFP page 15 Section G – Certified Corporate Annual Audits – Is DHRM requesting this information from the Contractor? My firm is a private company. Is this acceptable to the Commonwealth?
Privately held companies are not penalized. Appropriate internal financial information is acceptable as are Moody’s and Dun & Bradstreet reports.
29. Our firm cannot perform services for the Commonwealth which require independence (including SAS 70), based on the services we currently provide to other agencies. However, we can be independent of MCI and their sub-service organizations. Would DHRM consider having MCI engage us to perform the SAS 70?
No.
30. Is the first SAS 70 report due 11/15/10 or 11/15/11?
11/15/10
31. Is DHRM aware that the SAS 70 standard is being replaced as of 6/15/11? Should the RFP or contract be amended to reflect the new standard (SSAE 16)? Has DHRM anticipated that this could require an increased level of effort for the FY11 report?
We have provided a method for contract modifications, should they be needed.
32. What firm has been performing the SAS 70 audits since the last RFP in 2004?
Cherry, Bekaert & Holland, L.L.P
33. Would prior year SAS 70 reports be available for review?
We request that vendors work with the information provided in the RFP, prebid conference questions and responses to formulate a response and pricing to the RFP. Both this procurement and the prior one are unique and stand on their own.
34. What was the project fee for the most recent year?
The scope of this RFP is expanded from the previous contracted services.
35. Did the project fee for the prior year include the SAS 70 and the audit of the reported loss payment figure?
The scope of this RFP is expanded from the previous contracted services.
36. For the task described in Section IV.B, “Audit of the reported loss payment figure”, is there a specific professional standard that DHRM is requesting that this be performed under?
We will rely on offeror's professional judgement; we are interested in your proposed solution.

37. Section IV.D includes “Perform auditing/accounting services as required.” Is the intent that these additional services would be subject to a separate engagement letter and billing, as required?

Yes

38. Regarding Control objectives – How many actual control activities do you anticipate this will cover? Can you give us a round about number?

We are interested in your proposed solutions, at a minimum we request testing of physical and system/electronic controls for the following:

Physical and environmental controls

Logical access

Program change management

Back-ups and disaster recovery

Computer operations

Input controls

Processing controls

Output controls

Procedure testing

39. Regarding Internal Audit Reports. – You mention internal audits, is this an agency internal audit and can we get a copy of that audit report?

The selected finalist will receive as much data as practicable.

40. Regarding Contract Timing – Would you be interested in doing the audits inside the period of time rather than outside that time?

The current process is for the audit to be conducted on the most recently completed fiscal year. Other proposals might be considered.

41. In regards to the three systems you mentioned, what does ACS do?

ACS is a sub-contractor of Sedgwick CMS and performs claims mail matching services.

42. Can you tell us if in the past where there any control to debt qualifications?

We will provide previous relative reports to selected finalist. We have not had major findings for several years.

43. With respect to the SWaM participation and the 20% goal, how are you rating the SWaM portion of the evaluation?

All 20 points will be awarded if offeror is a DMBE certified small business. Sub-contracting points will be awarded as a percentage of the total work assigned to DMBE certified small businesses, i.e.: If offeror is not a DMBE certified small business but commits to contracting 50% of their total work under this contract to a DMBE certified small business, they will receive 10 points (50% of the 20 points available)

44. If our legal counsel wishes to change something in the General Terms and Conditions should be include those changes as an attachment?

Please do indicate where your company disagrees with the general terms and conditions. Proposals will be accepted, however evaluation of offer will reflect the impact.

45. Regarding the SWaM percentage, please clarify; if the primary contractor is SWaM and they sub-contract some services to non-SWaM vendors would the primary still receive the full 20%?

Yes. Section B of the Small Business Subcontracting Plan only captures data on DMBE certified small business (women owned, and minority owned small businesses are included under that umbrella).

46. We very often partner with a Small and Woman-owned Business on a great deal of our insurance regulation work that we perform for state departments of insurance across the country. Her specific discipline is tied to the technology and claims aspects of our engagements relative to control testing, etc. Her organization would be extremely effective in this regard as it relates to the RFP. We, of course, would partner with her on all aspects outside of her organization's expertise.

Question is this.....her organization is not currently certified by the Commonwealth of Virginia, DMBE. The web-site for application indicates that "it takes approximately 30 business days for the assigned certification officer to review your file". Given that the issue date of the RFP was March 5, 2010, 30 business days would certainly fall after the due date of the proposal. Would it be possible for your department to still consider proposals from bidders where an application with the DMBE is "in-process and pending"? All offerors and sub-contractors must be DMBE SWaM certified at the time of the RFP close date to receive credit for SWaM status.

RFP # OWC10-01
Workers' Compensation Program Auditing Services
 Optional Pre-Proposal Conference
 Wednesday, March 17, 2010 at 10:00 a.m.

Note: This information will be publicly posted as a part of Addendum #1

Sign In Sheet

COMPANY REPRESENTING	PRINT NAME	SIGNATURE
1. Brown & Edwards and Cowell	1. Paul Price	1. 
2. Adli Hallemicari SC & H Group	2. Adli Hallemicari	2. 
3. Adam Hoffheimer CapTech	3. Adam Hoffheimer	3. 
4. Assura Consulting	4. Bo Harris	4. 
5. KPMG	5. David Frei	5. 
6. KPMG	6. Dexter Wood	6. 
7. Dixon Hughes	7. ROGER STEWART	7. 
8. Deloitte	8. Eric Bowlin	8. 
9. Clifton Anderson	9. Jay Outland	9. 
10. Kester Stephens	10. Ben Sady	10. 
11. Mark McNamara	11. Deloitte	11. 
12. Deloitte (Rol)	12. Paul Young	12. 

Pre-Proposal Conference
RFP # OWC10-01



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RFP # OWC10-01



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