

Request for Proposal For
TAX ARBITRAGE REBATE
INTERNAL AUDIT SERVICES

June 12, 2020

State of Connecticut Health and Educational Facilities Authority



CHEFA

Connecticut Health & Educational
Facilities Authority

DEADLINE:

No Later than 2 pm EDT, Wednesday, July 1, 2020

June 12, 2020

To Whom It May Concern:

The Connecticut Health and Educational Facilities Authority (“CHEFA” or the “Authority”) is requesting proposals from qualified firms wishing to provide **internal audit services for the Authority’s tax arbitrage rebate activities in support of its bond issuance (1) as a conduit issuer for 501C(3) organizations, and (2) for CHESLA, its student loan subsidiary, as a direct issuer of student loan bonds.**

The Authority seeks proposals from firms with established expertise in the area of tax-exempt bond finance generally and specifically for higher education lending. Proposals should highlight the recent experience of your firm performing tax arbitrage rebate (for both 1 and 2 above) for public entities and quasi-public agencies similar to the Authority.

Background Information

CHEFA is a quasi-public agency and political subdivision of the State of Connecticut and is a conduit issuer of tax-exempt bonds issued on behalf of eligible non-profits in the State of Connecticut. CHEFA has three subsidiaries (component units): the Connecticut Higher Education Supplemental Loan Authority (“CHESLA”), the Connecticut Student Loan Foundation (“CSLF”) and CHEFA Community Development Corporation (“CHEFA CDC”).

CHESLA issues tax-exempt bonds for the purpose of making student loans. CSLF was established as a not-for-profit for improving educational opportunity. CSLF holds a portfolio of primarily federally guaranteed student loans and does not offer new loans. CHEFA CDC does not issue bonds.

Responses to the RFP

Your firm’s submission relating to this RFP should include a response to the questions and requests for information included in the attached *Exhibit A, as well as Exhibits B.*

Proposal and Engagement Schedule

- RFP Issued – **June 12, 2020**
- Questions are due – **no later than 2pm EDT – Thursday, June 18, 2020**
 - Responses will be published – **no later than 5pm – Friday, June 19, 2020**
- Proposals are due by **no later than 2pm EDT – Wednesday, July 1, 2020**
- Notification of interviews – **no later than the week of July 13, 2020**
- Interviews, with the Authority Audit-Finance Committee, to be conducted **Wednesday, July 22, 2020 (potentially virtually via video conference)**
- Authority Audit-Finance Committee action on **July 22, 2020**
- Report to the Audit-Finance Committee to be mailed to the committee – **the week of November 9, 2020**
- Presentation to the Audit Finance Committee at its November meeting – **November 18, 2020**

Selection Process

Authority management will conduct the selection of the service provider, with a recommendation for approval to the Audit-Finance Committee of the Authority Board of Directors. Evaluation of firms will include, but will not be limited to: the reputation of the firm, the scope of internal audit services to be provided, proposed fees, the reputation and experience of the management and staff to be assigned to the Authority, and other value added services that may be provided.

Contractual Relationships with Quasi-Public Agencies

1. Penalty for False Statement (C.G.S. §1-126)

Any quasi-public agency, as defined in Section 1-120 of the General Statutes, shall require any application, agreement, financial statement, certificate or other writing submitted to such quasi-public agency with respect to any loan, mortgage, guarantee, investment, grant, lease, tax relief, bond financing or other extension of credit or financial assistance made or provided by such quasi-public agency and that provides information on which the decision of such quasi-public agency was based, to be signed under penalty of false statement as provided in Section 53a-157b of the General Statutes. The Authority requires that proposals in response hereto be provided on the same basis.

Include the following statement with your proposal:

“The information provided herein is submitted by the undersigned firm under penalty of false statement as provided in the Connecticut General Statutes, Section 53a-157b.”

2. An Act Concerning Certain State Contracting Nondiscrimination Requirements (C.G.S. Sections 4a-60 and 4a-60a)

Connecticut General Statutes Sections 4a-60 and 4a-60a, as amended, require an entity or individual entering into a contract with the State or certain of its political subdivisions, including quasi-public agencies, to provide the contracting agency with a written affidavit, representation or other acceptable documentation that certifies the contractor's compliance with the State's nondiscrimination agreements and warranties and to periodically update such documentation. Please refer to the form of the required certification attached as **Exhibit B** and complete and sign.

3. Contract Language

By submitting a response to this RFP, a Proposer agrees to inclusion of the language set forth in **Exhibit C** in any contract entered into with the Authority in connection with this RFP.

4. Freedom of Information Act

The Authority is a “public agency” for purposes of the Connecticut Freedom of Information Act (“FOIA”). A proposal submitted in response to this RFP, and any files or documents associated with the proposal, including e-mails or other electronic files, will be public records and subject to disclosure under the FOIA. See Conn. Gen. Stat. §§1-200, et seq. The FOIA includes exemptions for, among other things, “trade secrets” and “commercial or financial information given in confidence, not required by statute.” See Conn. Gen. Stat. §1-210(b).

Due regard will be given for the protection of proprietary or confidential information contained in all proposals received. However, all materials associated with this RFP are subject to the terms of the FOIA and all applicable rules, regulations and administrative decisions. If a proposer is interested in preserving the confidentiality of any part of their proposal, it will not be sufficient to state generally in the proposal that the proposal is proprietary or confidential in nature and therefore not subject to release to third parties. Instead, those particular sentences, paragraphs, pages or sections that a proposer believes to be exempt from disclosure under the FOIA must be specifically identified as such. Convincing explanation and rationale sufficient to justify each exemption consistent with Section 1-210(b) of the FOIA must accompany the proposal. The rationale and explanation must be stated in terms of the reasons the materials are legally exempt from release pursuant to the FOIA.

Confidential information must be separated and isolated from other material in the proposal, labeled CONFIDENTIAL, and submitted in a separate envelope and in a separate PDF. All proposal materials not placed in a separate envelope and PDF clearly marked as confidential will not be treated as confidential and will be made available for public view upon receipt of a FOIA request. Proposers should not request that their entire proposal, nor the majority of the proposal, be confidential and the Authority reserves the right to reject any such proposal.

The Authority has no obligation to initiate, prosecute or defend any legal proceeding or to seek a protective order or other similar relief to prevent disclosure of any information that is sought pursuant to a FOIA request. The proposer has the burden of establishing the availability of any FOIA exemption in any proceeding where it is an issue. In no event shall the Authority or any of its officers, directors or employees have any liability for the disclosure of documents or information in the Authority's possession where the Authority, or such officer, director or employee believes disclosure is required under the FOIA or other law.

Scope of Services

The Authority will consider each respondent's ability to provide comprehensive, quality audit services to the Authority, as well as its reputation and fee structure. At a minimum, the services provided to the Authority should include, but not be limited to the following:

1. Consultation with the Authority regarding the nature of its bond issuance activities to establish a date range for testing (a minimum of two years) and a complete scope for internal audit services.
2. Review of Authority compliance with applicable Internal Revenue Code in Section 148 and any changes in tax laws and their effects on outstanding issues and future issuance.
3. Review of procedures, and recordkeeping process
4. Testing of a representative sample of the Authority's bond issuance:
 - a. Calculation structuring - exceptions, elections and restrictions
 - b. Associated forms, schedules, reports and certificates
 - c. Required allocation analyses due to transferred proceeds and/or

commingled funds

- d. Arbitrage rebate computations and associated calculations – yield and loan yield, debt service, universal cap, etc.
5. Deliver for presentation, to the Audit-Finance committee of the Board of Directors, a draft report detailing the final engagement scope and any findings/recommendations with associated risk profile.
6. Deliver final report within one week of presentation to the committee.

RFP Format and Submission Requirements

1. The total length of the response is limited to 15 pages.
2. Please submit a copy of your firm’s response to this RFP via email by no later than **2 pm EDT on Wednesday, July 1, 2020** in PDF format to: Cynthia Peoples at cpeoples@chefa.com and Debrah Galli at dgalli@chefa.com.

The Authority reserves the following rights (without limitation or waiver):

1. To reject any or all proposals.
2. To conduct investigations or request further information relating to the qualifications of any or all respondents.
3. To supplement, modify or cancel this request for proposals without notice or substitution of another such request.
4. To reevaluate a proposal or selection if there are any changes in the substance of the proposal.
5. Waive or modify any irregularities in proposals received.
6. Accept a proposal based on considerations other than cost.
7. Negotiate with any firm deemed to be in the best interest of the Authority.

Interviews, if necessary, will be conducted **Wednesday, July 22, 2020 (potentially virtually via video conference)**. The Authority shall not be liable for any cost incurred in connection with responding to this proposal.

Questions must be sent to Cynthia Peoples via email at cpeoples@chefa.com no later than Thursday, June 18, 2020 at 2pm EDT. Responses to questions will be posted on the CT DAS (das.ct.gov), the CHEFA and CHESLA websites on Friday June 19, 2020 by 5pm EDT.

Sincerely,



Cynthia D. Peoples-H.
Managing Director, Operations & Finance

Exhibits Attached

EXHIBIT A

TAX ARBITRAGE REBATE, INTERNAL AUDIT SERVICES PROVIDER REQUEST FOR PROPOSAL

I. **General Information:**

A. Describe your firm's experience in providing tax arbitrage rebate, pooled financings, loan yield and universal cap compliance services in general, and with regard to student loan transactions issued by State-level entities. Highlight experience with complex tax-exempt asset backed security structures. Include at least two examples of work performed at the specific branch office which will have primary responsibility for this engagement. These examples should reflect currently applicable laws, rules and regulations.

B. Provide a brief explanation of circumstances requiring methodological discretion and your recommended approach to addressing such circumstances. Specific examples of how such discretionary measures can impact analyses performed on complex debt issuances are preferred. Examples might include allocation of co-mingled funds, replacement proceeds, identifying and advising on optional elections available.

C. Identify the individual(s) who would be working on this engagement with Authority staff. Provide a brief description of their experience, office location, and accessibility.

D. Describe in detail the information and assistance you will require from Authority staff. Include your needs for bond issuance and investment information, loan portfolio information and any special reporting formats that may be required.

E. Describe your firm's experience with universal cap analyses as they relate to student loan financings.

F. Describe your firm's process for adapting to changes in the tax law and the impact on your clients.

G. Describe your firm's experience with calculating arbitrage rebate with regard to investment in complex Guaranteed Investment Contracts.

H. Explain your audit approach and process.

II. **References:** Identify three recent clients that we may contact as references. Provide the following information for each reference: name, title, company address, and phone number as well as a brief summary of the services provided and the type of bond issue(s).

III. **Connecticut Experience:** Discuss your firm's experience, if any, within the State of Connecticut.

IV. **Affirmative Action:** What is your firm's Affirmative Action and Equal Employment Policy and what proportion of your firm's professionals are minorities and women?

V. **Pending Litigation:** Please disclose any criminal, civil litigation or administrative proceedings involving allegations of securities law violations by your firm or its employees during the last five years.

VI. **Potential Conflicts:** Are there any other lines of business conducted by your firm that could conflict with your service as financial advisor to the Authority? Please specify how you would propose to resolve any such conflict, including ensuring that there would be no real or apparent compromise of your objectivity as the Authority's tax arbitrage rebate service provider?

VII. **Insurance:** Please identify the firm's professional liability insurance provider and indicate the extent of coverage, including the amount of any deductible or coinsurance amount.

VIII. **Compensation:** Your proposal should indicate all fees and expenses that your firm would charge the Authority for providing the arbitrage rebate internal audit services for a representative sample of bond issues for both CHEFA and CHESLA for the engagement.

- A. CHESLA has 13 outstanding bond issues
- B. CHEFA has approximately 208 outstanding bond issues

The Authority performs arbitrage rebate calculations and universal cap analysis at least annually to assure compliance with all applicable Internal Revenue regulations and provisions. In addition, loan yield calculations for each issue are performed annually at the end of the third bond year after issuance. All post-issuance tax compliance for CHEFA is performed in-house. All calculations for CHESLA are performed by a third-party provider.



STATE OF CONNECTICUT

NONDISCRIMINATION CERTIFICATION – Representation by Entity

For Contracts Valued at Less than \$50,000

Written representation that complies with the nondiscrimination agreements and warranties under Connecticut General Statutes §§ 4a-60 and 4a-60a, as amended.

INSTRUCTIONS:

For use by an entity (corporation, limited liability company, or partnership) when entering into any contract type with the State of Connecticut, valued at less than \$50,000 for each year of contract. Complete all sections of the form. Submit to the awarding State agency prior to contract execution.

REPRESENTATION OF ENTITY:

I, _____ , _____ , of _____
(Authorized Signatory) (Title) (Name of Entity)

an entity duly formed and existing under the laws of _____
(Name of State or Commonwealth)

represent that I am authorized to execute and deliver this representation on behalf of

_____ and that _____
(Name of Entity) (Name of Entity)

agrees to comply with the nondiscrimination agreements and warranties of Connecticut General Statutes §§ 4a-60 and 4a-60a, as amended.

(Authorized Signatory) (Date)

(Printed Name)

EXHIBIT C

(a) CGS Section 4a-60. In accordance with Connecticut General Statutes Section 4a-60, as amended, and to the extent required by Connecticut law, [], (“CONTRACTOR”) agrees and warrants as follows: (1) in the performance of this Agreement it will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, status as a veteran, ancestry, sex, gender identity or expression, intellectual disability, mental disability, or physical disability, including, but not limited to, blindness, unless it is shown by CONTRACTOR that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut and further to take affirmative action to ensure that applicants with job-related qualifications are employed and that employees are treated when employed without regard to their race, color, religious creed, age, marital status, national origin, status as a veteran, ancestry, sex, gender identity or expression, intellectual disability, mental disability, or physical disability, including, but not limited to, blindness, unless it is shown by CONTRACTOR that such disability prevents performance of the work involved; (2) in all solicitations or advertisements for employees placed by or on behalf of CONTRACTOR, to state that it is an “affirmative action-equal opportunity employer” in accordance with regulations adopted by the Commission on Human Rights and Opportunities (the “CHRO”); (3) to provide each labor union or representative of workers with which CONTRACTOR has a collective bargaining agreement or other contract or understanding and each vendor with which CONTRACTOR has a contract or understanding, a notice to be provided by the CHRO advising the labor union or workers’ representative of the commitments of CONTRACTOR under Connecticut General Statutes Section 4a-60, and to post copies of the notice in conspicuous places available to employees and applicants for employment; (4) to comply with each provision of Connecticut General Statutes Sections 4a-60, 46a-68e and 46a-68f and with each regulation or relevant order issued by the CHRO pursuant to Connecticut General Statutes Sections 46a-56, 46a-68e, 46a-68f and 46a-86; (5) to provide the CHRO with such information requested by the CHRO, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of CONTRACTOR as relate to the provisions of Connecticut General Statutes Sections 4a-60 and 46a-56; and (6) to include provisions (1) through (5) of this section in every subcontract or purchase order entered into by CONTRACTOR in order to fulfill any obligation of this Agreement, and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the CHRO and take such action with respect to any such subcontract or purchase order as the CHRO may direct as a means of enforcing such provisions in accordance with Connecticut General Statutes Section 4a-60.

(b) CGS Section 4a-60a. In accordance with Connecticut General Statutes Section 4a-60a, as amended, and to the extent required by Connecticut law, CONTRACTOR agrees and warrants as follows: (1) that in the performance of this Agreement, it will not discriminate or permit discrimination against any person or group of persons on the grounds of sexual orientation, in any manner prohibited by the laws of the United States or of the State of Connecticut, and that employees are treated when employed without regard to their sexual orientation; (2) to provide each labor union or representative of workers with which CONTRACTOR has a collective bargaining agreement or other contract or understanding and each vendor with which CONTRACTOR has a contract or understanding, a notice to be provided by the CHRO advising the labor union or workers' representative of the commitments of CONTRACTOR under Connecticut General Statutes Section 4a-60a, and to post copies of the notice in conspicuous places available to employees and applicants for employment; (3) to comply with each provision of Connecticut General Statutes Section 4a-60a and with each regulation or relevant order issued by the CHRO pursuant to Connecticut General Statutes Section 46a-56; (4) to provide the CHRO with such information requested by the CHRO, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of CONTRACTOR which relate to the provisions of Connecticut General Statutes Sections 4a-60a and 46a-56; and (5) to include provisions (1) through (4) of this section in every subcontract or purchase order entered into by CONTRACTOR in order to fulfill any obligation of this Agreement, and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the CHRO and take such action with respect to any such subcontract or purchase order as the CHRO may direct as a means of enforcing such provisions in accordance with Connecticut General Statutes Section 4a-60a.

(c) Required Nondiscrimination Submissions. CONTRACTOR agrees and warrants that (1) it has delivered to CHEFA an affidavit signed under penalty of false statement by a chief executive officer, president, chairperson, member, or other corporate officer duly authorized to adopt corporate or company policy in the form attached as Attachment A hereto; (2) if there is a change in the information contained in the most recently filed affidavit, CONTRACTOR will submit an updated affidavit not later than the earlier of the execution of a new contract with the state or a political subdivision of the state or thirty days after the effective date of such change; and (3) CONTRACTOR will deliver an affidavit to CHEFA annually, not later than fourteen days after the twelve-month anniversary of the most recently filed affidavit, stating that the affidavit on file with CHEFA is current and accurate.