

Request for Quotes For Independent Audits of the Hawaii Public Benefits Fee

Summary

The Hawaii Public Utilities Commission (“Commission”) seeks the services of a Certified Public Accountant (“Contractor”) to conduct an audit of the annual financial statements of the Hawaii Public Benefits Fee (“PBF”) for the fiscal years ending June 30, 2022 (“FY 2022”), and June 30, 2023 (“FY 2023”). The Commission will review the responses and select the best value quote. The audits for FY 2022 and FY 2023 must be completed and an opinion rendered to the Commission on or before May 1, 2023 and November 1, 2023, respectively. Compensation to Contractor shall be made upon satisfactory completion, as determined by the Commission, of each audit.

Background

The Public Benefits Fee (“PBF”), established by State law,¹ is collected by the Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited (collectively, the “HECO Companies”) from ratepayers through a demand-side management surcharge.² In FY 2022 the funds were used to support clean energy and energy-efficiency programs and services, subject to the review and approval of the Commission. The law authorizes the Commission to contract with a third-party administrator to implement and manage programs funded by the PBF. In 2009, following a competitively bid selection process, the Commission selected Science Applications International Corporation (“SAIC”) to serve as the PBF Administrator within the HECO Companies’ service territories. SAIC³, now known as Leidos Inc., began administering the Hawaii Energy Efficiency Program (commonly known as “Hawaii Energy”) on July 1, 2009.

Current administration of the PBF includes the Bank of Hawaii as the Fiscal Agent; 2050 Partners as the Contract Manager⁴; and Applied Energy Group (“AEG”) as the independent evaluator of Hawaii Energy’s programs.

¹[HRS § 269-121 through 125.](#)

²Electric utility customers on Kauai pay a demand-side management surcharge that is used in efficiency programs of KIUC.

³In 2013, SAIC changed its name to Leidos Engineering LLC, and in 2016, changed to Leidos, Inc.

⁴ The Fiscal Agent, Contract Manager, and independent evaluator, are also serving the Commission via a competitively bid contractual relationship.

The current PBF surcharge amount is 2.0 percent of forecasted utility revenues (as of January 1, 2020). The PBF collections for FY 2020 and FY 2021 were \$30.72 million and \$32.68 million respectively. The projected collections for FY 2022 is \$35.1 million, and for FY 2023 is an estimated amount of \$36.2 million. The budget amounts for programs funded by the PBF were filed historically on an annual basis, but were filed as a three-year budget for each of FY 2020 to FY 2022 and FY 2023 to FY 2025 triennial periods. The approved budget amounts for FY 2022 and FY 2023 are \$38.2 million and \$39.6 million respectively.

On a monthly basis, the HECO Companies submit a PBF remittance memorandum to the Fiscal Agent, Bank of Hawaii. The remittance worksheet provides the calculation of the amount due, based on the HECO Companies' assessment rate and their respective reported sales. Bank of Hawaii, in its role as fiscal agent, collects the assessments from the HECO Companies and disburses funds to qualified recipients as designated by the Commission or the Contract Manager. There are on average three (3) receipts, four (4) disbursements, one (1) security purchase, and one (1) security sale each month, for a total of approximately one hundred (100) transactions per year.

In addition to providing an independent audit report on the PBF Financial Statements, the selected Contractor will also be requested to issue a written report on Bank of Hawaii's internal controls and compliance relative to its role as fiscal agent of the PBF. The audit must be conducted in accordance with Generally Accepted Government Auditing Standards. The requirements of the audit are set out in greater detail in Attachment A – Scope of Work.

Minimum Qualifications

- A. The Contractor shall provide documentation that they are qualified to perform all job functions as specified in the Scope of Work:
 - 1. Proof they are a licensed certified public accountant or accounting firm with the ability to practice in the State of Hawaii, as certified by the Department of Commerce and Consumer Affairs;
 - 2. Information about the audit team members (including, resumes, qualifications, and experience);
 - 3. Three (3) Client References; and a
 - 4. Copy of the most recent external quality control report (Peer Review, must be within the past three (3) years).
- B. The selected Contractor must be free of all internal and external impairments to independence and any conflicts of interest and a statement to this effect must be provided.

Confidential Material Handling

- A. All material given to Contractor by virtue of this job scope that is identified as confidential information shall be safeguarded by the Contractor and shall not be disclosed to any individual or organization without the prior written approval of the Commission.
- B. Confidentiality of Personal Information
“Personal Information” means an individual’s first name or first initial and last name in combination with any one or more of the following elements, when either name or data elements are not encrypted:
 - 1. Social Security number;
 - 2. Driver’s license number or Hawaii identification number; and/or
 - 3. Account number, credit or debit card number, access code, or password that would permit access to an individual’s financial information.
- C. Contractor agrees not to retain, use or disclose personal information for any purpose other than as permitted by this job scope.
- D. Contractor shall implement appropriate safeguards (technological and physical) that are acceptable to the Commission to reduce the risk of unauthorized access to personal information.
- E. Contractor shall report to the Commission in a prompt and complete manner any security breaches involving personal information.
- F. Contractor agrees to mitigate, to the extent practicable, any harmful effect that is known to Contractor because of a use or disclosure of personal information by Contractor in violation of the requirements of this paragraph.
- G. Contractor certifies that all of its employees who will have access to the personal information have completed training on security awareness topics related to protection of personal information. Signed confidentiality agreements by all employees who will have access to the personal information acknowledging that:
 - 1. Personal information will be treated as confidential;
 - 2. Access to personal information will be allowed only as necessary to perform the job scope; and
 - 3. Use of the personal information will be restricted to uses consistent with the services subject to this job scope.

Signed agreements shall be presented to the Commission at the start of the job.

ATTACHMENT A

Scope of Work

Contractor will audit the Hawaii Public Benefits Fee (“PBF”) for two periods. The first audit year will be for the period starting July 1, 2021 and ending June 30, 2022. A subsequent audit will be for the twelve (12) month period immediately following (July 1, 2022 to June 30, 2023). Contractor will issue a written report on Bank of Hawaii’s internal controls and compliance relative to its role as Fiscal Agent of the PBF for each audit period. The audits will be made in accordance with generally accepted auditing standards and government auditing standards and will include tests of the Fiscal Agent’s accounting records and other procedures necessary to enable Contractor to express an opinion on the Fiscal Agent’s general purpose financial statements.

Contractor’s procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receipts and receivables, cash balances, liabilities, and other items by correspondence with selected electric distribution utilities, creditors, and banks. Contractor may request written representations from the Fiscal Agent’s attorneys as part of the engagement; any costs that the fiscal agent might incur in responding to this inquiry would not be borne by Contractor. At the conclusion of each audit, Contractor will also request certain written representations from the Fiscal Agent about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, Contractor’s audit will involve judgment about the number of transactions to be examined and the areas to be tested. Contractor will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because Contractor will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by Contractor. Contractor will advise the Commission, however, of any matters of that nature that come to its attention.

The Fiscal Agent is expected to provide Contractor with the basic information required for the audit and the Fiscal Agent is responsible for the accuracy and completeness of that information.

Contractor shall apply the Risk Assessment Standards, SAS Nos. 104 -111, to its audits. The standards require Contractor to plan its audits using a risk-based approach after gaining an understanding of the entity and its environment, including its internal control. Contractor will use inquiries of management and others within the entity, analytical procedures, and observation and inspection to make this assessment. Contractor will consider risks to classes of accounts or account groups at the assertion

level and plan its audit to address those risks, based on Contractor's assessment of materiality, using analytical and substantive procedures. The nature, timing, and extent of Contractor's procedures will be based on its original risk assessment and Contractor's evaluation of the sufficiency and appropriateness of the audit evidence obtained in order to reduce the risk of material misstatement to an acceptably low level.

Initial procedures related to Contractor's audit of the PBF will include the following:

- Horizontal analysis of PBF's FY 2022 trial balance
- Determination of authorized manager or officer who will be responsible for writing Management's Discussion and Analysis
- Gain an understanding of internal control and consider testing key controls for operating effectiveness
- Compare the amount to be collected during the FY 2022 to the actual amounts collected
- Review the accuracy of the carrier remittance worksheets submitted to Bank of Hawaii
- Perform tests to confirm that amounts reported actually exist
- Confirm receivables and assessments with distribution utilities
- Inquire of the Commission regarding special areas of concern related to compliance
- Review pertinent laws, regulations and contracts and test compliance in areas that could have a direct and material effect on the determination of financial statement amounts
- Apply audit procedures to current liability accounts as considered necessary
- Apply audit procedures to distributions to TPA, Contract Manager and Fiscal Agent by the PBF
- Consider the reasonableness of administrative and tax expense and apply audit procedures as considered necessary
- Test expense of service contract with Fiscal Agent
- Inquire as to any other required assessments payable to other funds for FY 2022
- There is an approximate total of one hundred (100) transactions in the fiscal year, auditor will scan the general ledger detail and apply tests as deemed necessary for additional assurance
- Review evidence obtained and consider additional audit evidence needed
- Consider the financial statements and related notes and disclosures for occurrence and rights and obligations, completeness, and classification and understandability

Contractor shall follow these or substantially similar procedures for the audit of the PBF for FY 2023. Any substantial deviation from these procedures must be approved in writing by the Commission.

ATTACHMENT B

Special Conditions

1. Unless otherwise indicated, questions regarding this solicitation must be directed via email to the Buyer listed.
2. It is the offeror's responsibility to read and comply with any Specifications, Instructions, Special Provisions, and Terms and Conditions that may be attached or referenced in this solicitation.
3. All awardees for this solicitation are subject to and shall comply with the General Conditions of the Department of the Attorney General. It is the Vendor's responsibility to read and comply with these General Conditions and other documents or specifications for the solicitation whether attached or referenced.
4. Vendor shall include all fees and taxes in their proposal.
5. Compensation to Contractor shall be made upon satisfactory completion, as determined by the Commission, of each audit (reference Summary Section of this Request for Quotes.)