



**CITY OF BERA**

**REQUEST FOR PROPOSAL  
AUDIT SERVICES**

**CONTACTS: Susan Meeks, Finance Director**

**CITY OF BEREA  
REQUEST FOR PROPOSAL – AUDIT SERVICES**

**GENERAL INSTRUCTIONS**

- A. **Invitation** - The City of Berea Finance Department, on behalf of the City of Berea Audit and Finance Committee, hereby issues to qualified firms, licensed in the Commonwealth of Kentucky, a Request for Proposal (hereinafter referred to as “RFP”), for auditing services for the financial operations of the City of Berea, Kentucky.
- B. **Deadline** - Seven (7) copies of a sealed proposal shall be submitted no later than 4:00 p.m., Friday, February 16, 2018, to the following:

by postal service only:

City of Berea  
Attn: Cheryl Chasteen, City Clerk  
212 Chestnut Street  
Berea, Kentucky 40403

or by hand delivery, UPS or FedEx only:

City of Berea  
Attn: Cheryl Chasteen, City Clerk  
200 Harrison Road  
Berea, Kentucky 40403

Sealed proposals shall be marked “Audit Services” along with the due date. Proposals received after the deadline will be returned unopened.

- C. **Cost Incurred** - No reimbursement will be made by the City for any cost incurred in preparing responses to this solicitation, or for cost incurred before a formal notice to proceed is issued if a contract is awarded.
- D. **Questions** - All questions resulting in further clarification or modification to this (RFP) document will be handled by written addenda. All questions concerning the work to be performed shall be addressed to:

Susan Meeks, CPA  
Finance Director  
212 Chestnut Street  
Berea, KY 40403  
(959) 985-5869  
Email: smeeks@bereaky.gov

Questions must be asked at least 3 business days prior to the proposal due date. Questions received after this time may not be answered. Any changes as a result of issues raised will be made by

written addenda and posted on the City of Berea's website at <http://bereaky.gov/for-business/bids-rfps-rfqs/>. It is the firm's responsibility to check the website for addenda prior to submitting your proposal. Oral and other interpretations or clarifications will be without legal effect. Copies of prior period reports can be found on the City's website at <http://bereaky.gov/governmentcity-departmentsfinance-departmentaudited-financial-statements/>.

- E. **Submitted Materials** - All materials submitted in conjunction with this request may be subject to public inspection pursuant to public record laws. Information contained within the submitted materials that are alleged to be confidential or proprietary in nature, or that are alleged to be trade secrets should be clearly marked as such. Submissions shall not contain a blanket confidentiality clause. Marking materials as confidential, proprietary, or as trade secrets does not guaranty that these materials will not be released pursuant to a lawful open records request. The City of Berea generally will not release information contained in a submission until a contract has been fully executed.

## **INTRODUCTION & PROJECT OVERVIEW**

The City of Berea is a home rule city located in Madison County, Kentucky with a population of 13,561 (based on 2010 census). The City operates under a Mayor/Council form of government with eight council members. The City provides the following services: police, fire, public works, parks and recreation, codes and planning, tourism and general administrative services. The City also operates three utilities: Electric, Water and Sewer.

The City of Berea financial statements contain all activities of the City. The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to governmental units promulgated by Governmental Accounting Standards Board ("GASB"). The City maintains ten funds, nine of which are government fund types and one is a proprietary fund type. Governmental funds utilize the modified accrual basis of accounting while Proprietary Funds use the accrual basis of accounting.

The City's FY17 governmental fund revenue was approximately \$14.5 million and is categorized in six categories: taxes, licenses and permits, charges for services, fines and forfeitures, intergovernmental and other financing sources. Licenses and permits includes occupational license fees on wages, net profits and insurance which accounts for nearly 64% of the City's total governmental revenue. The City's proprietary fund operating revenue is often influenced by climate and generally ranges from \$16-17 million. For fiscal year ended June 30, 2017 operating revenue was approximately \$16.4 million. Of this, the sale of electric accounts for 63% of total revenue. Beginning May 2019, the city will begin a new contract for the purchase of power with a new power provider. This will most likely result in a change of rate structure for electric.

The City's budget is legally adopted prior to June 30 of each year through passage of a budget ordinance by the City Council. Budget revisions are typically done once during mid-year and are accomplished through a budget ordinance amendment adopted by the Council.

The City's general ledger accounting and payroll system is automated and integrated with our revenue systems. The City uses Accela's Springbrook Software system which is a cloud-based system accessed through a secure internet connection. The system is specific to governmental and utility accounting. The

financial system, includes accounts payable, accounts receivable, general ledger, payroll, building permits, fixed assets, inventory and utility billing modules.

### **SCOPE OF SERVICES**

- A. The Firm shall perform the annual audit of the financial operations of the City, which shall include all related funds as specified herein. The contract for the annual audit shall be for the current fiscal year ending June 30, 2018. The City reserves the right to negotiate with the successful vendor for the following 5 years, subject to the availability of funds during these years.
  
- B. The description of the audit to be performed for fiscal years 2018 is as follows:
  - A. Prepare financial statements and supplemental data with drafts reviewed by appropriate City personnel prior to their issuance.
  
  - B. Examine the general purpose financial statements of the City in accordance with (1) the generally accepted auditing standards as included in Statements on Auditing Standards, published by the American Institute of Certified Public Accountants, (2) Government Auditing Standards, issued by the Comptroller General of the United States and (3) Specifications for audits pursuant to KRS 91A.040.
  
  - C. Examine all funds of the City operation, which shall include but not be limited to:
    - 1. Government Funds
      - a. General Fund
      - b. Municipal Road Aid
      - c. Tourism
      - d. Industrial Development Authority Fund
      - e. Police Restricted Fund – State/Local
      - f. Police Restricted Fund – Federal
      - g. Berea Corridor Engineering
      - h. US 25 North
      - i. Berea Craft Festival
  
    - 2. Proprietary Funds
      - a. Berea Municipal Utilities
  
  - D. Submit an expression of opinion on the financial statements and supplemental schedules. Submit a report on internal control over financial reporting and on compliance.
  
  - E. Perform a “single audit” by examining the major federal financial assistance programs in accordance with generally accepted auditing standards, the provisions of Government Auditing Standards, issued by the Comptroller General of the United States, Office of Management and Budget Uniform Guidance (2.CFR.200), and the provisions in Office of Management and Budget’s Compliance Supplement for Single Audits of State and Local Governments.

- F. Present the results of the audit to the City Council no later than the third Tuesday in October following the end of the fiscal year under audit. The Firm shall furnish to the City of Berea, twenty (20) copies of the audited financial statement by the third Tuesday in October succeeding the fiscal year end, as well as an electronic copy of the report.
- G. Provide technical assistance and guidance, as may be required, to the City regarding the implementation of statements issued by GASB.
- H. Provide general consultation throughout the year regarding routine accounting issues and best practices, as may be required. Significant consultations or projects will be bid separately; however the City wishes to maintain an ongoing, year-round relationship.

### **FIRM'S RESPONSIBILITIES**

- A. Confidentiality - The Firm must agree to keep confidential any and all information gathered as a result of this engagement. The successful Firm shall establish and maintain procedures and controls for the purpose of assuring that no information in its records or obtained from the City of Berea or from others in carrying out its functions under the contract shall be used or disclosed by it. The City of Berea reserves the right to review such procedures to ensure acceptability. If information and/or records are requested, the City of Berea shall be notified immediately.
- B. Independent Contractor - It is expressly agreed and understood that the Firm is in all respects an independent contractor as to work and is in no respect any agent, servant, or employee of the City. The contract shall specify the work to be done by the Firm, but the method to accomplish the work shall be the responsibility of the Firm. The Firm shall maintain an active business license with the City of Berea and adhere to all occupational licensing requirements of those conducting business within the City.
- C. Subcontracting - The Firm may subcontract services to be performed hereunder with the prior approval of the City, which approval shall not reasonably be withheld. No such approval will be constructed as making the City a part of, or to, such subcontract, or subjecting the City to liability of any kind to any subcontractor. No subcontract shall, under any circumstances, relieve the Firm of its liability and obligation under this contract; and despite any such subcontracting the City shall deal through the Firm, and subcontractors will be dealt with as representatives of the Firm. Subcontractors shall also maintain an active business license with the City of Berea and adhere to all occupational licensing requirements of those conducting business within the City.

### **AWARD PROCEDURES**

- A. A selection committee shall review the proposals submitted. After each proposal has been evaluated based on the criteria listed in the RFP, short-listing procedures will narrow the list of firms to the two or more best qualified. These firms will then be invited to an interview at

which time each firm will be expected to conduct a presentation on its proposal and to answer questions of the selection committee.

- B. Negotiations shall then be conducted beginning with the firm ranked first. If a contract satisfactory and advantageous to the City can be negotiated at a price considered fair and reasonable, the award shall be made to that offerer. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on until such a contract can be negotiated at a fair and reasonable price. Should the City determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.
- C. The City reserves the right to reject any or all proposals submitted. The right is also reserved to award the contract where it appears to be in the best interest of the City.
- D. The City reserves the right to revise or amend this RFP prior to the date set for receipt of the proposals. The date set for receipt of proposals may be changed if deemed necessary by the City. Any revisions and/or amendments will be in the form of an addendum to this RFP which will be made available on the City's website at <http://bereaky.gov/for-business/bids-rfps-rfqs/>.

### **SUBMISSION OF PROPOSALS & REQUIREMENTS:**

Interested firms should submit proposals including the following information in the order listed:

- A. Completion of Exhibit A of this RFP.
- B. Indicate your understanding as to the scope of services requested.
- C. Provide an affirmative statement that the Firm is independent of the City of Berea as defined by generally accepted auditing standards. The Firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City of Berea for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.
- D. Provide a summary of the Firm's qualification and experience specific to local government audit services including brief history of the firm, how long you've been providing these services, the size of the team dedicated to these services, and the stability of your firm. Proposals must address how each of the following qualification requirements can be met:
  - a. Firms responding to this request must be a certified public accounting firm licensed to practice in the Commonwealth of Kentucky.
  - b. Firm must have successfully completed at least three (3) audits within the last year for accounts similar to that of the City of Berea.
  - c. Staff to be assigned to the audit have specialized government audit training and experience in government audits.

- E. Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in Kentucky. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit. Indicate how the quality of staff over the term of the agreement will be assured.
- F. For the Firm's office that will be assigned responsibility for the audit, list the most significant engagements performed in the last five years that are similar to the engagement described in this RFP. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Indicate whether your engagement is presently ongoing, or has been terminated.
- G. The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in this RFP. The work plan should identify and describe any anticipated potential audit problems and the Firm's approach to resolving these problems including any special assistance requested from the City. The proposal should include an approximate amount of on-site fieldwork required for this engagement.
- H. The firm shall provide a list of not less than five (5) references, governmental audit clients preferred. The following information shall be provided: contact person, mailing address and phone number.
- I. Submit a copy of the Firm's report on its most recent external quality control review and letter of comments, with a statement whether that quality control review included a review of specific government engagements.
- J. Include a sample audit agreement that your Firm typically uses in audit engagements with local governments.
- K. Submit fees as a "not to exceed" fee complete, covering all of the services to be provided using the format in Exhibit B.
  - 1. Total All-Inclusive Maximum Price: The fee proposal shall contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.
  - 2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each: The fee proposal should include a schedule of professional fees and expenses, which supports the total all-inclusive maximum base price.

3. Rates for Additional Professional Services: If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional, include and attach a listing of fees for additional services. Please itemize fees and costs for common additional work your firm considers not to be part of the audit engagement that you may charge additional fees for in order to complete an audit, if any.



**Exhibit A  
Request for Proposals (RFP)  
Audit Services  
City of Berea  
RFP Statement**

Complete this page and include it with your sealed response to this request. Please insert it as page one of the proposal.

I have read this Request for Proposal (RFP), all the attachments, addenda (if any) and exhibits issued for this project and understand their contents and requirements.

**Authority to Sign Contracts or Agreements:**

Provide the name or names of the person or persons with position titles from your organization who are duly authorized to sign the resulting contract of this request (if awarded to your firm) in the space provided below. Persons listed must be an authorized agent of your firm who is authorized to legally bind your firm into a contract with the city of Berea. By providing this name or names you attest that the City can rely on this information as true and accurate as indicated herein.

Name or Names of persons authorized to enter into agreements for your firm:

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

**Binding Signatures:**

The undersigned firm, submitting their proposal, hereby declares and agrees to be bound, and to perform the work in accordance with all the terms, conditions and requirements of this Request for Proposals, the within and foregoing proposal, the contract, the applicable specifications and special provisions, and the schedule of prices as hereby submitted and made part of their proposal submission.

Company: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Signature (Manual Signature) \_\_\_\_\_

Name (Print or Type) \_\_\_\_\_

Title \_\_\_\_\_ Date \_\_\_\_\_

Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

Email: \_\_\_\_\_

**Exhibit B**

**Request for Proposals (RFP)  
Audit Services  
City of Berea  
Fee Proposal**

Include pricing for all audit services as described in the RFP on this form. Attach separate sheets as needed to fully explain fee arrangements; however, total price must be shown on this schedule.

	(A) # of Hours	(B) Standard Hourly Rate	(C) Quoted Hourly Rate	(D) Total Base Proposal
Partners				
Manager				
Supervisory Staff				
Other Staff (specify)				
Other Staff (specify)				
Subtotal				
Additional Work (please list):				
Total all-inclusive maximum price for 2018 audit				

Indicate your all-inclusive maximum price for each of the succeeding 4 years of the audit engagement.	2019	_____
	2020	_____
	2021	_____
	2022	_____

**Note:** Total all-inclusive maximum price for the 2018 audit shall be presented as a not-to-exceed fixed price.

On occasion, the City may request advice regarding certain accounting practices and other matters that relate to this audit engagement. Attach a schedule to this pricing sheet explaining to what degree the City would be charged a fee for this occasional consulting.