



**CITY OF BERE A**

**REQUEST FOR PROPOSAL  
AUDIT SERVICES**

<b>Contact:</b>	Direct Questions to: Susan Helton Email: shelton@bereaky.gov Phone: 859-985-5869
<b>Submit Proposals to:</b>	An electronic version of the proposal on a USB drive plus three (3) hard copies should be mailed or delivered to:  <b>City of Berea Attn: City Clerk, Robin Adams 212 Chestnut Street Berea, KY 40403</b>  "Professional Audit Services" should be clearly marked on seal envelop.
<b>Issue Date:</b>	January 18, 2024
<b>Deadline for Questions:</b>	February 9, 2024 at 4:00 PM
<b>Proposal Due Date and Time:</b>	Not Later than 10:00 AM, February 19, 2024
<b>Optional Finalist Interviews:</b>	Expected the week of March 4, 2024
<b>Anticipated Selection:</b>	March 19, 2024

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

**I. INTRODUCTION**

**A. Invitation to Submit Proposal**

The City of Berea (City) is requesting proposals (RFP) from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2024, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years. The selected firm will be required to provide audit services in accordance with Generally Accepted Auditing Standards, as promulgated by the American Institute of Certified Public Accountants (AICPA), and Government Auditing Standards issued by the Comptroller General of the United States.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection pursuant to open record laws. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and disregarded.

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 proposer requiring clarification of the information provided in this solicitation must submit specific questions or comments in writing (preferably in email) to the Contact shown on page 1 of this document. If the City determines that additional information or clarification to the RFP is necessary, or if changes are made to the RFP, such information will be supplied in addenda. Addenda shall have the same binding effect as though contained in this RFP. Any revisions and/or addenda will be available on the City's website at <https://bereaky.gov/for-business/bids-rfps-rfqs/>.

The proposal package shall present audit fees for each year of the proposed contract term, with separately stated fees for single audits. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals. 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.

It is anticipated that a recommendation from the selection committee will be brought to the City Council at its March 19, 2024 meeting.

## **B. Term of Engagement**

A five-year engagement is contemplated, subject to the annual review and recommendation of the City, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), the concurrence of the City Council and the annual availability of an appropriation.

## **C. Subcontracting**

No subcontracting will be allowed without the express prior written consent of the City.

# **II. NATURE OF SERVICES REQUIRED**

## **A. Scope of Work**

The City is requesting an audit which includes all the funds, accounts, capital assets, long-term debt and activities of the City. The selected audit firm will be required to complete the following tasks in relationship to the basic financial statements:

- 1) Audit the basic financial statements in accordance with Generally Accepted Auditing Standards (GAAS) in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Governmental Accounting Standard Board (GASB) Statement 54, Fund Balance Reporting requirements.
- 2) Express an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of the City and the changes in financial position in conformity with generally accepted accounting principles (GAAP) and issue an independent auditors' report stating this opinion.
- 3) Apply limited procedures related to the Required Supplementary Information (RSI), Management's Discussion and Analysis (MD&A), budgetary comparison information, and the Supplementary Information.
- 4) If applicable, issue the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance, and Schedule of Findings and Questioned Costs.
- 5) Communicate immediately and in writing all irregularities and illegal acts, or indications of illegal acts, of which they become aware, to the Audit and Finance Committee.
- 6) Final oral presentation to the City Council no later than the third Tuesday in October.

The City prefers interim fieldwork be completed in June or early July. Year-end fieldwork should begin in September, allowing staff at least 45 days to close the year and prepare the post-closing trial balance. While many documents can be shared electronically, the City expects that

the audit firm staff will be onsite for fieldwork, including manager and partner level staff for at least a portion of the onsite work. Each year, the auditors will meet with City staff to determine the audit schedule for the year and any special considerations in timing.

The City staff will prepare all year end accruals and adjusting journal entries. The auditor will prepare the government wide year-end adjusting journal entries based on information provided by City staff. City management will ultimately be responsible for the preparation and fair presentation of the financial statements, which include the design, implementation, and maintenance of internal controls. However, the City will need the assistance of the auditor for the preparation, typing, proofing, printing, and copying of the Basic Financial Statements, supplementary information and compliance reports. City management will prepare the Management Discussion and Analysis (MD&A). The auditor will submit a draft of the Financial Statements to be reviewed in detail by the Finance Director. This draft should be submitted to the City in a timely manner to allow ample time for review and corrections. The timing of this should ensure final completion of the Financial Statements in sufficient time to present to the City Council on the 3<sup>rd</sup> Tuesday in October.

#### **B. Assistance Provided to the Auditor**

City staff will be available during interim and audit field work to assist the firm by providing access and direction to information, documentation, and will be available for explanations of all inquiries. The City will expect a listing of requested information needed at least three weeks prior to onsite field work.

Staff will be available for clerical assistance with the preparation of confirmations and other routine correspondence. The City will provide the auditors with reasonable workspace, wireless internet access, and copy machine, if required.

#### **C. Additional Services**

If it should become necessary for the City to request the audit firm to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in a written agreement between the City and the audit firm.

#### **D. Payment**

Progress payments will be made on work completed during the course of the engagement.

### **III. DESCRIPTION OF GOVERNMENT**

#### **A. Background Information**

The City of Berea is a home rule city located in Madison County, Kentucky with a population of 15,539 (based on 2020 census). The Mayor is elected for a term of two years and council members are elected for a regular term of four years. The City Administrator is appointed by the Council and is responsible for the implementation of Council policy, execution of the laws, and all day-to-day operations of the City.

The City's fiscal year begins on July 1 and ends on June 30. The City provides a full array of municipal services to its citizens and customers, including police and fire services, parks and recreation, public works, codes and planning, tourism and general administrative services. The City owns and operates an electric distribution system, water and wastewater systems.

#### **B. Fund Structure & Budgetary Basis of Accounting**

The City has a total of eleven (11) funds, consisting of one general fund, nine (9) special revenue funds, and one (1) enterprise fund. The City's fiscal year 2024 total budget is \$59.5 million, including debt service and capital expenditures – \$19.2 million in the general fund budget and \$34.3 million in the utility fund budget.

Governmental fund types are budgeted on the modified accrual basis of accounting. The Enterprise fund is budgeted on the accrual basis of accounting except its budgets do not include changes in pension liability or deferred inflows of resources and deferred outflows or resources related to pensions, and changes in other post-employment benefit liabilities or deferred inflows of resources and deferred outflows or resources related to other post-employment benefits.

More detailed information on the government, fund structure and operations can be found the budget document which can be found on the City's website at <https://city-berea-ky-budget-book.cleargov.com/7940/introduction/transmittal-letter>. Previously audited financial statements and audit reports can also be found on the City's website at <https://bereaky.gov/government/city-departments/finance-department/governmentcity-departmentsfinance-departmentaudited-financial-statements/>.

#### **C. Finance Department**

The Finance Department is administered by the Finance Director, who directly oversees the Tax Administrator, AR Specialist, AP Specialist, Billing and Collections Supervisor, Billing Clerk and three (3) Customer Service Representatives. The department is responsible for, but not limited to, accounts payable, accounts receivable, utility billing, accounting, budgeting, and financial reporting. The payroll function is overseen by the City Administrator. The Finance Director is the primary contact for the auditors during the engagement.

The City of Berea uses Springbrook software product for maintaining and processing financial data. Specific modules include the general ledger, payroll, utility billing (electric, water and sewer), accounts receivable, accounts payable, inventory, and cash receipts.

#### **IV. PROPOSAL REQUIREMENTS AND INFORMATION**

##### **A. Contents of Proposal**

The purpose of the proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this RFP. The substance of proposals will carry more weight than their form or manner of presentation. The proposal should demonstrate the qualifications of the firm and of the staff to be assigned to this engagement. It should also specify an audit approach that will meet the RFP requirements. The proposal should address all the points outlined in the RFP. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP.

While additional data may be presented, the areas detailed below must be included. They represent the criteria against which the proposal will be evaluated.

##### **1) Letter of Transmittal**

Limit of two (2) pages to include the following:

- a. Indicate the name of the person who will be authorized to answer questions and to bind the firm, the person's title, address, email and telephone number.
- b. An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Kentucky.
- c. An affirmative statement that it is independent of the City as defined by generally accepted auditing standards and the US General Accounting Office's Government Auditing Standards. The firm should also list and describe the firm's professional relationships involving the City for the past five (5) years, together with a statement explaining why any such relationships do not constitute a conflict of interest relative to performing the proposed audit.
- d. An affirmative statement that the firm will maintain workers compensation insurance. Prior to any commencement of audit services, the selected firm will be required to provide certificates of insurance coverage to the City.
- e. An affirmative statement that the firm will maintain an active business license with the City of Berea and adhere to all occupational licensing requirements of those conducting business within the City.

- f. An affirmative statement that the firm will adhere to the time frame provided.
- g. A statement that the proposal is a firm and irrevocable offer for the five-year period.

## **2) Firm Qualification and Experience**

The proposal should briefly introduce the firm, indicating whether the firm is local, regional, national, or international. State the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement. If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

Provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

## **3) Partner, Supervisory, and Staff Qualifications and Experience**

The proposal should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who would be assigned to the engagement. Indicate whether these individuals have CPA licenses to practice in Kentucky. Provide information on the governmental auditing experience of these individuals, 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.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. Other audit personnel may be changed at the discretion of the firm provided that replacements have substantially the same or better qualifications or experience.

## **4) Specific Audit Approach**

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.

- a. Proposed segmentation of the audit work:
  - i. What will be accomplished during interim and what at year end?
  - ii. What other contact can the City expect during the year related to the audit engagement?
- b. Expectations of auditors' staff:
  - i. What documents and working papers are expected to be provided by City staff during interim and year-end work?  
(Please provide sample Prepared by Client lists and schedules for each section of the audit field work.)
- c. Proposed time frame for each segment of audit work:
  - i. What is the anticipated length of field work for interim and year-end work?
  - ii. What is the standard turnaround time from end of field work to senior-level review, to partner review, to final draft, to audit report issuance?
- d. Type and extent of analytical procedures to be used in the engagement.
- e. Approach to be taken to gain and document an understanding of the City's internal control structure.
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- g. Approach to be taken in drawing audit samples for purposes of tests of compliance.

## **5) References**

Provide the name of cities, counties, and special districts for whom the firm has audited basic financial statements during the past five (5) years. Include reference contact information for at least three of these agencies, with preference to municipalities. Include the name, telephone number, and email address of the principal client contact. The City reserves the right to contact any or all of the listed references.

## **6) Additional Information Required**

Include the additional information that would be required from the City, if your audit firm were selected to provide audit services, before you accepted the engagement.

## **7) Price**

The dollar cost proposal should specify all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price is to include all direct and indirect costs, including all out-of-pocket expenses for each of the fiscal years ending 2024-2028.

Since the Single Audit work is based on the requirements of individual grants which may vary, the cost of the Single Audit should be stated separately and may be based on an hourly rate and estimated minimum hours needed to complete a basic Single Audit.



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 work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in a separate agreement between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the dollar cost bid.

## **B. Proposal Key Action Dates**

### **1) Distribution of RFP**

Request for Proposals will be sent by the City on January 18, 2024.

### **2) RFP Submission**

To be considered, an electronic version of the proposal on a USB drive plus three (3) hard copies of the sealed proposal must be received by the City Clerk by **10:00 A.M. on Wednesday, February 19, 2024**. Proposals received after this time will not be considered and will be returned to the proposer unopened. It shall be the proposer's responsibility to ensure that their proposal is received by the City Clerk within the time limit indicated. It is the proposer's responsibility to ensure that they have received all addenda related to this proposal. The City reserves the right to reject any or all proposals submitted and to re-solicit for services.

Submissions should be mailed or hand delivered to:

**City of Berea  
Attn: City Clerk, Robin Adams  
212 Chestnut Street  
Berea, KY 40403**

All proposals must be submitted in a sealed envelope and clearly marked Professional Audit Services.

### **3) Notification**

The City staff notify those firms selected for an interview by phone no later than February 28<sup>th</sup> to schedule the interview. Interviews will be scheduled for the following week. It is anticipated that the final selection will be approved at the City Council meeting on Tuesday, March 19<sup>th</sup> at 6:30 PM.

## **V. EVALUATION PROCESS**

### **A. Selection Committee**

City staff will review and evaluate each proposal. Upon this review, the list of responding firms will be narrowed to the two or more best qualified based on the criteria listed below. These firms will be invited to an interview with a selection committee consisting of City staff, the Mayor, and members of the Audit and Finance Committee. Firms participating in interviews will be asked to make a brief presentation and to answer the questions of the selection committee. The final recommendation of the selection committee will be brought to the City Council by the Audit and Finance Committee for approval.

### **B. Evaluation Criteria**

Proposals will be evaluated using the following sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following (not listed in priority order) represents the principal selection criteria that will be considered during the evaluation process:

#### **1) Mandatory Elements**

- a. The audit firm is independent and licensed to practice in Kentucky
- b. Experience of the firm with municipal audit services
- c. Experience of the partner(s) and senior team members proposed
- d. Demonstrated commitment to adequate continuing professional education for professional staff pertinent to the audit of governmental agencies
- e. Commitment to the audit team continuity and adequate training and oversight to the audit team members
- f. Proposed fees for audit services
- g. Compliance with RFP specifications

#### **2) Technical Qualifications**

- a. Expertise and experience of firm and assigned personnel
- b. Past experience and performance on comparable government engagements
- c. Professional staff to be assigned to the engagement and the quality of the firm's management support personnel
- d. Availability throughout the year for technical consultation
- e. Single audit experience; demonstrated training pertaining to the Uniform Grant guidance

#### **3) Audit Approach**

- a. Adequacy of proposed staffing plan for various segments of the engagement
- b. Adequacy of sampling techniques
- c. Adequacy of analytical procedures

## **VI. Inquiries**

Inquiries concerning the request for proposals and the subject of the request for proposals must be addressed in writing to:

Susan Helton  
Finance Director  
212 Chestnut Street  
Berea, KY 40403  
[shelton@bereaky.gov](mailto:shelton@bereaky.gov) (preferred communication method)

All responses, questions, and correspondence should be directed to Susan Helton. In the interest of fairness to all respondents, do not contact other staff or elected officials.

Written questions on the RFP will be accepted until Friday, February 9, 2024 at 4:00 PM to allow time for staff to respond in writing to all holders of this RFP. Written questions submitted after Friday, February 9 may go unanswered.