



Request for Proposals  
Professional Auditing Services  
For Fiscal Year June 30, 2018 and up to 2020

## REQUEST FOR PROPOSALS

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**I. INTRODUCTION**

**A. General Information**

The Henderson Water Utility- City of Henderson, KY- Water and Sewer Commission (“Commission”) is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements for the fiscal year ending June 30, 2018, and the two subsequent fiscal years as extensions subject to the approval of the Board of Directors. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards (2011), the provisions of the federal Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, as applicable.

There are no expressed or implied obligations for the Commission to reimburse responding firms for any expenses incurred in preparing their proposal in response to this request. Any inquiries concerning the request for proposals should be addressed to Todd Bowley, Chief Financial Officer at [bowleyt@hkywater.org](mailto:bowleyt@hkywater.org).

The proposal schedule is as follows:

**Proposal Schedule**

<u>Date</u>	<u>Event</u>
March 5, 2018	Release of Request for Proposal
March 26, 2018	Questions from Firms are due
April 2, 2018	Deadline for Receipt of Proposals
April 9-12, 2018	Interviews with Selected (if necessary)
April 16, 2018*	Board of Commissioners Approval & Selection

*\*Dates are estimated*

To be considered, an electronic copy via email and 4 hardcopies of your proposal must be received by 4:00 p.m. on April 2, 2018 addressed to:

Audit Selection Committee  
Attention: Todd Bowley  
Henderson Water Utility  
111 Fifth Street  
Henderson, KY 42420  
Email to [bowleyt@hkywater.org](mailto:bowleyt@hkywater.org)

During the proposal evaluation process, the Commission reserves the right, where it may serve the Commission's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the Commission, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Commission reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Commission and the firm selected.

It is anticipated the selection of a firm will be completed by April 23, 2018.

**B. Term of Engagement**

A one-year agreement (contract) with the option for each of the two subsequent performance years is contemplated, subject to the annual review and recommendation of the Commission staff and approval by the Board of Commissioners.

**II. NATURE OF SERVICES REQUIRED**

**A. General**

The Commission is soliciting the services of qualified firms of Certified Public Accountants to audit its financial statements for the fiscal year, beginning with the fiscal year ending June 30, 2018, with the option to audit the Commission's financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

**B. Scope of Work**

Firm proposals are expected to cover the following services:

*1. Audit*

The Commission desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles including supplemental schedules on costs by division. Commission management will provide draft financial statements, footnotes and management's discussion and analysis. Auditor may be requested to provide assistance on some required disclosures such as pension, defeasance, contingencies, etc. however Commission staff can review and accept responsibility for all disclosures.

## 2. *Contractual Calculations*

Perform procedures and issue letters affirming the calculation of rates for approximately 5 contractual customers based on audit costs. These are to be performed within 30 days of audit report issuance (if not sooner).

### **C. Auditing Standards to be Followed**

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (2011), the provisions of the Single Audit Act and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, as applicable.

### **D. Reports to be Issued**

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

- A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles for the Commission.
- A report on internal control and compliance, if subject to Government Auditing Standards.
- A report to Those Charged with Governance at the conclusion of the audit.
- A report on Internal Control Matters, if needed, identifying significant deficiencies or material weaknesses noted during the audit.
- The auditor shall communicate other matters in a letter to management, as deemed necessary

*Irregularities and illegal acts.* Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Board Ad Hoc Audit Committee and Board of Directors of the Commission.

### **E. Working Paper Retention and Access to Working Papers**

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the Commission of the need to extend the retention period. The auditor will be required to provide electronic working papers, if used at the end of the audit and to make working papers available, upon request, to the following parties or their designees:

- The Cognizant Federal Audit Agency
- U. S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by the Commission as part of an audit quality review process.
- Auditors of entities of which the Commission is a subrecipient of grant funds.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

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

#### **A. Name and Telephone Number of Contact Person**

The auditor's principal contact with the Commission will be Todd Bowley, the Commission's Chief Financial Officer at (270) 869-6607, who will coordinate the assistance to be provided by the Commission to the auditor.

#### **B. Background Information**

Henderson Water Utility is a municipally-owned provider of water, wastewater and stormwater services to the city of Henderson, Kentucky. Annual revenues are between \$17-18 million per year, and the utility employs approximately 90 people at various locations around the city. The Utility was founded in 1867. The Commission has a June 30 year-end, and requires that all audit work as well as report preparation be completed no later than October Commission meeting (third Monday of month). The Commission is governed by a five-member Board of Commissioners who are appointed by Mayor and City Commission of Henderson, Kentucky.

#### **C. Fund Organization**

The Henderson Water and Sewer Commission is a component unit of the City of Henderson, Kentucky. Its purpose is to construct, operate, and maintain water and sewer service facilities and supply water to the City of Henderson and surrounding areas. It is legally separate from the City of Henderson but its governing body is appointed by the City Commission of Henderson. The financial statements presented here are also included in the comprehensive annual financial report of the City of Henderson, Kentucky. The Commission is a single-enterprise proprietary fund and uses the accrual basis of accounting.

Commission Budgets and prior Audit Reports are located here:

<https://www.hkywater.org/departments/admin-finance>

#### **D. Pension Plan**

The Commission contributes to the Kentucky County Employees Retirement System (CERS), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of Kentucky.

#### **E. Component Units**

The Commission does not have any component units.

## **F. Insurance**

The Commission participates in the City of Henderson, Kentucky's self-insured health plan for the purpose of providing health insurance to its employees. Plan utilizes stop-loss insurance to limit losses. Commission carries commercial insurance for risks related to assets, employees, etc.

## **G. Availability of Prior Audit Reports and Working Papers**

Interested proposers who wish to review prior years' audit reports and management letters should visit the Commission website where Commission Budgets and Audit Reports are located: <https://www.hkywater.org/departments/admin-finance>. The Commission will use its best efforts to make requested supporting working papers available to proposers to aid their response to this request for proposal. The prior auditor was Alexander Thompson Arnold PLLC (formerly Myriad CPA Group) of Henderson, KY, inquiries can be made to Brian Crafton at [bcrafton@atacpa.net](mailto:bcrafton@atacpa.net).

# **IV. TIME REQUIREMENTS**

## **A. Proposal Calendar**

The following is a list of key dates related to the proposal submission:

- Request for proposals issued: March 5, 2018
- Due date for proposals: April 2, 2018 at 4:00 pm

## **B. Notification and contract dates**

The selected firm is expected to be notified by April 23, 2018

## **C. Schedule for the audits**

The audit firm shall include in the proposal a schedule for the audit for 2018. The Commission will have compiled materials by approximately August 1 annually. A similar schedule will be developed for audits of future fiscal years if the Commission exercises its option for additional audits.

Each of the following shall be completed by the auditor no later than the dates proposed.

### *1. Interim Work*

The auditor shall complete all interim work by the proposed date.

### *2. Fieldwork*

The auditor shall complete all fieldwork by the proposed date.



### 3. *Draft Reports*

The Commission's management shall provide a draft of the audit report (basic financial statements) by approximately September 30<sup>th</sup> annually. Auditor shall provide the Final Report for review no later than one week for October Commission meeting, when Audit is to be presented.

## **D. Entrance Conference, Progress Reporting and Exit Conference**

A similar time schedule will be developed for audits of future fiscal years if Commission exercises its option for additional audits. At a minimum, the following conferences should be held by the dates indicated on the schedule:

### a. Entrance Conference to Commence Audit Work: Early-Mid June

The purpose of this meeting will be to discuss prior audit problems, year-end and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor. This meeting will also be used to discuss the year-end work to be performed.

### b. Progress Conference: Early-Mid July

The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested.

### c. Exit Conference: Late August- Early September

The purpose of this meeting will be to summarize the results of the field work and to review significant findings.

## **V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

### **A. Finance Department and Staff Assistance**

The Administrative Department staff and responsible management personnel will be available during the audit to assist the firm by providing up to their capability information, documentation and explanations. The Chief Financial Officer will provide a draft of the basic financial statements. The approval of final statements will be the responsibility of the CFO and General Manager.

### **B. Work Area, Internet Access, Telephones, and Photocopying**

The Commission will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to the internet, telephone lines, and photo copying facilities.

### C. Report preparation

Regarding the report, Commission management will provide draft documentation of the basic financial statements. Final report preparation, editing and printing shall be the responsibility of the auditor.

## VI. PROPOSAL REQUIREMENTS

### A. General Requirements

#### 1. *Inquiries*

The Commission has endeavored to provide all information that is relevant to the proposal. The Commission has a preference to rotate audit firms every three to five years and the former audit firm has audited the Commission since 2013. Inquiries concerning the request for proposal must be made to:

Todd Bowley, CFO  
Henderson Water Utility  
111 Fifth Street  
Henderson, KY 42420  
bowleyt@hkywater.org

**CONTACT WITH PERSONNEL OF THE COMMISSION OTHER THAN ABOVE REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.**

#### 2. *Submission of Proposals*

Proposals should be sent to:

Audit Selection Committee  
Attn: Todd Bowley, CFO  
Henderson Water Utility  
111 Fifth Street  
Henderson, KY 42420  
bowleyt@hkywater.org

The following material is required to be received by 4:00 p.m., April 2, 2018 for a proposing firm to be considered:

- Four (4) printed copies of the proposal and one electronic version emailed to bowleyt@hkywater.org to include the following:

a. *Title Page*

Title page showing the request for proposals' Name, the firm's name, the name, address and telephone number of a contact person, and the date of the proposal.

b. *Table of Contents*

c. *Transmittal Letter*

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, a statement why the firm believes itself to be best qualified to perform the engagement, signed by the proposed audit manager and partner, including a statement that the proposal is a firm, irrevocable offer for 90 days.

d. *Detailed Proposal*

The detailed proposal should follow the order set forth in Section B, technical proposal below.

**B. Technical proposal**

1. *General Requirements*

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Commission in conformity with the requirements of this Request for Proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the Request for Proposals requirements. Please include specific experience related to audits of utilities and governmental entities, typical audit schedule for June 30 year end audit and your firm's approach used for customer service.

The technical proposal should address all the points outlined in the Request for Proposals (excluding any cost information which should only be included in the Dollar Cost Proposal). The technical proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities and approach to satisfy the requirements of the Request for Proposals. Please present the required items only; they represent the criteria against which the proposal will be evaluated.

2. *Independence*

The firm should provide an affirmative statement that it is independent of the Commission as defined by generally accepted auditing standards set forth in the U.S and the standards applicable to financial audits contained in General Accounting Office's Government Auditing Standards (2011). Awarded firm will be required to sign a non-collusive statement before contract completion affirming that no collusion or other indiscretions occurred during the proposal process.

3. *License to Practice in Kentucky and City of Henderson*

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Kentucky and that firm holds a City of Henderson, Kentucky Occupational Tax License. Firm awarded must be able to provide documentation of licenses before final contract approval.

4. *Firm Qualifications and Experience*

The proposal should state the size of the firm in personnel and annual audit dollar value, 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.

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, must be included in the proposal.

The firm shall also 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, the firm shall 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.

5. *Partner, Supervisory and Staff Qualifications and Experience*

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a Certified Public Accountant in Kentucky. The firm also should 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. The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality and the continuity of staff over the term of the agreement will be assured. Engagement partners, managers, other supervisory staff and specialists may only be replaced with the express prior written permission of the Commission. The Commission retains the right to approve or reject replacements.

6. *Similar Engagements with Other Similar Government Entities/References*

For the firm's office that will be assigned responsibility for the audit, list the three significant engagements performed in the last three years that are similar to the engagement described in this Request for Proposals. For each, indicate the scope of work, date, engagement partners, and the name and telephone number of the principal client contact.

7. *Insurance*

Include copies of firms/individuals current Certificates of Insurance maintained by the firm, including General Liability and Errors and Omissions.

**C. Dollar Cost Proposal**

1. *Total All-Inclusive Maximum Price*

The “Dollar Cost Proposal “should contain all pricing information, and assumptions relative to performing the audit engagement as described in this Request for Proposal. The Commission will not be responsible for expenses incurred in preparing and submitting the technical proposal or the Dollar Cost Proposal. Such costs should not be included in the proposal.

The Dollar Cost Proposal should include the following information:

- a. Name of Firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the Commission
- c. A total all-inclusive not to exceed maximum price for the Scope of Work, the 2018 Audit and Contractual Calculations (and separately the two subsequent years)

2. *Rates for Additional Professional Services*

If it should become necessary for the Commission to request the auditor to render any additional services to either supplement the services requested in this Request for Proposals or to perform additional work because of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the Commission and the firm. Any such additional work agreed to between the Commission and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the proposal.

3. *Manner of Payment*

Progress payments may be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's "Dollar Cost Proposal". Interim billings for progress payments shall cover a period of not less than a calendar month, nor exceed 80% of the total Firm's Dollar Cost Proposal amount.

4. *Submission of Dollar Cost Proposal*

Four (4) copies of the Dollar Cost Proposal should be delivered in **one separate envelope (separate from the technical proposals)** marked Dollar Cost Proposal and accompany the technical proposals.

## VII. *EVALUATION PROCEDURES*

### A. **Review of Proposals**

Proposals submitted will be evaluated by an Audit Selection Committee appointed by the Chairman of the Board. The Committee will review and evaluate the technical proposal by criteria described in this RFP. After the technical section has been reviewed and evaluated, all fully qualified firms will be evaluated based on total all-inclusive Dollar Cost Proposal for the Scope of Work. The Audit Committee will recommend a selection to the Board of Commissioners who will make the final decision.

The Commission reserves the right to retain all proposals submitted and may use any idea in a proposal regardless of whether that proposal is selected. The Commission may select one or none of the proposing firms.

### B. **Evaluation Criteria**

Proposals will be evaluated using three types of criteria. Firms meeting the mandatory criteria will have their proposal evaluated for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process:

1. *Mandatory Elements*

1. The audit firm is independent and licensed to practice in Kentucky.
2. The audit firm's professional personnel possess the required skill, knowledge and experience to perform the scope of work and have received the required continuing professional education within the preceding two years.
3. The firm has no conflict of interest with regard to any other work performed by the firm for the Commission.
4. The firm adheres to the instructions in this Request for Proposals on preparing and submitting the proposal.

## 2. *Technical Qualifications*

### Expertise and Experience

- a. The firm's past experience and performance on comparable engagements.
- b. The level of transaction validation and fieldwork done to document systems and usage appropriateness.
- c. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

## 3. *Price*

The explanation of the total maximum cost for Scope of Work will be evaluated as a central factor. The highest overall value to the Commission from the proposal overall will be evaluated. Cost will not be the primary factor in the selection of an audit firm, but will be an important consideration due to the Commission's limited complexity and funding.

### **C. Oral Presentations**

During the evaluation process, the Commission may, at its discretion, request any or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Commission's Audit Committee may have on a firm's proposal. None, some or all firms may be asked to make such oral presentations.

### **D. Final Selection**

The Board of Commissioners will select a firm based upon the recommendation of the Audit Selection Committee. It is anticipated that a firm will be selected and notified by April 23, 2018.

### **E. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposals unless clearly and specifically noted in the proposal submitted and confirmed in the agreement/contract between the Commission and the firm selected. The Commission reserves the right to reject any or all proposals, award to one or none of the proposing firms.