



**CITY OF COVINGTON, KENTUCKY
REQUEST FOR PROPOSAL
ANNUAL FINANCIAL AUDITING SERVICES**

***Issuing Date:
October 15th, 2018***

**Issuing Department:
*FINANCE DEPARTMENT
20 WEST PIKE STREET
COVINGTON, KY 4101***

INDEX

NOTICE 3

TIMELINE OF EVENTS 4

STIPULATIONS AND REQUIREMENTS 4

SCOPE OF SERVICES 9

SUBMISSIONS OF PROPOSAL16

EVALUATION PROCEEDURES 19

SELECTION PROCEEDURES 20

ADDITIONAL INFORMATION 21

ATTACHMENTS

SUPPLEMENTAL DATA 23

SUMMARY OF AUDIT COSTS WORKSHEET 24

NON-COLLUSION AFFIDAVIT25

CAMPAIGN FINANCE AFFIDAVIT27

**CITY OF COVINGTON, KENTUCKY
REQUEST FOR PROPOSAL FOR
AUDIT AND ATTESTATION SERVICES**

The City of Covington, Kentucky ("City") invites proposal from qualified, competent, knowledgeable, and experienced providers that provide the services requested in this Request for Proposal ("RFP"), in compliance with all applicable laws, regulations, policies and procedures. Companies submitting responses must be prepared to enter into an agreement ("Agreement") for the provision of requested services and goods as set forth in this RFP.

Issue Date: **October 15th, 2018**

RFP Title: Audit and Attestation Services

Issuing Department: City of Covington
Finance Department
20 West Pike Street
Covington, KY 41011

Contact: Allison Hudson
Procurement Officer
(859) 292-2178
AHudson@covingtonky.gov

Responses must be submitted in a sealed envelope plainly marked on the outside **"SEALED PROPOSAL FOR AUDIT AND ATTESTATION SERVICES- DO NOT OPEN WITH REGULAR MAIL."**

SEALED BIDS MUST BE MAILED OR PHYSICALLY DELIVERED TO:

Finance Department
First Floor Window
City Hall
City of Covington
20 West Pike Street
Covington, Kentucky 41011

RESPONSES MUST BE SUBMITTED BY: 10:00a.m. December 7th, 2018.

REVIEW: Pursuant to KRS 45A.370, the evaluation of proposals and making any awards shall be conducted using competitive negotiation. Any final award shall be based upon the criteria set forth in Section VII below, and shall include the preference for residential bidders in KRS 45A.494 where required. The City of Covington finds that selection based upon competitive negotiation is necessary based upon the finding that specifications cannot be made sufficiently specific to permit an award on the basis of the lowest evaluated bid price.

I. TIME LINE OF EVENTS

PROPOSAL SCHEDULE	DATE
Issuance of RFP; Solicitation for Proposals	October 15, 2018
Deadline for Vendor Questions or Clarification.	November 30, 2018. Modifications/ answers to be posted by December 4, 2018, via www.covingtonky.gov .
Deadline for Submission	December 7 th , 2018
Anticipated Award Date	Contingent upon Commission Approval

II. STIPULATIONS AND REQUIREMENTS

A. Purpose

The City of Covington, Kentucky (“City”), through the Finance Department, is soliciting proposals from qualified entities (“Respondents”) who are interested in providing annual Auditing Services for the City of Covington for (3) three consecutive years, beginning fiscal year 2019, with the option of renewal for (2) two, singular, consecutive terms following the expiration of the original term.

B. Background

The City of Covington, founded in 1815, is located in the northern most part of the state, situated in Kenton County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City of Covington currently occupies a land area of 13.1 square miles and serves an estimated population of 40,797 based on the 2016 population estimates U.S. Census. The City of Covington is empowered to levy numerous taxes and fees. Its major revenue sources include: an occupational license tax levied on gross wages and net profits of businesses; an insurance premium license fee; and a property tax on real properties.

The City of Covington operates under the City Manager form of government. Legislative authority is vested in the City Board of Commissioners, consisting of the Mayor and four City Commission members. The Board of Commissioners is responsible for, among other tasks, approving ordinances, adopting the budget, appointing members to various boards, and approving the hiring of all full time employees. The City Manager reports directly to the Board of Commissioners and is responsible for carrying out policies and ordinances of the City Board of Commissioners, the development of short and long range planning, capital improvement programs, and the running of day-to-day operations of the City. The City Board of Commissioners is elected on a non-partisan basis. The Mayor serves a four year term and the City Commissioners serve two year terms. The City Manager reports directly to the Board of Commissioners and is responsible

for carrying out policies and ordinances of the City Board of Commissioners, the development of short and long range planning, capital improvement programs, and the running of day-to-day operations of the City.

The City of Covington provides a full range of services including a full time professional police service and full time professional fire service; advanced life support emergency services; street maintenance and improvement; waste and recyclable collection services, economic development services; a full range of recreational areas and activities; planning and zoning; residential housing rehabilitation and public assistance; and code enforcement services. In addition to these activities, the governing body is responsible for funding the Employees' Retirement Fund and the Police and Firemen's Retirement Fund as well as the City's own Medical Self Insurance and Liability Insurance Funds.

The annual budget serves as the foundation for the City of Covington's financial planning and control. Budget targets are set for each city department based on current revenue estimates and adjusted for current trends. All departments of the City of Covington are required to submit budget requests for appropriation to the City Manager. The budget requests must be within budget targets. The City Manager uses these requests as the starting point for developing a recommended structurally balanced budget. The City Manager then presents the recommended structurally balanced budget to the Board of Commissioners for review no less than 30 days prior to the end of the fiscal year. A structurally balanced budget is required by State law and the Kentucky Constitution. The final budget is adopted prior to July 1 of each year. The appropriated budget is prepared by fund and department (e.g., police). Department heads may make transfers of appropriations within a department with the approval of the City Manager, or his designee. The City Manager cannot make transfers of appropriations between funds without the approval of the Board of Commissioners. Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions to the budget that would alter total revenues and total expenditures of any fund must be approved by the Board of Commissioners.

C. Proposal Guarantee/ Award Procedure

It is anticipated that a recommendation for award for this Request will be made no more than thirty (30) days after the Proposal due date. All interested parties are required to guarantee their Proposals as an **irrevocable offer valid for ninety (90) days after the Proposal due date**. The City of Covington, Kentucky in its sole and absolute discretion shall have the right to award a Proposal for any or all items/services listed in each Proposal; shall have the right to reject any and all Proposals as it deems to be in its best interests; to waive formalities and reasonable irregularities in submitted documents; shall not be bound to accept the lowest Proposal; and shall be allowed to accept the total Proposal of any one vendor.

D. Revisions

If it becomes necessary to revise any part of this Request, a written addendum will be made available to the public via publication to the City's website, www.covingtonky.gov. The City is not bound by any oral or written representations, clarifications, or changes by City's employees, unless such clarification or change is provided to all Respondents via a publicized addendum from an authorized representative of the City.

E. Non-Discriminatory Statement

The City expressly prohibits discrimination of any kind or manner. The City does not discriminate against any individual or vendor/ provider based on disability, age, sex, race, color, religion, ancestry, national origin, sexual orientation, gender identity, familial status, marital and/or parental status. City of Covington Code of Ordinances § 37.01.

F. References and Consent

Respondents shall submit with their Proposal a comprehensive list of references. Proposals shall include references submitted in accordance with the requirements outlined in *Section IV. (6)* of this request. Responding parties agree to authorize the City to verify references provided, so as to determine quality and manner of previous work performed.

G. Compliance with Laws

All Respondents shall observe and comply with all regulations, laws, and ordinances of local, state, and federal governments as they apply to this Request for Proposal.

H. Deviations from Specifications

All deviations from requested specifications must be clearly stated in your Proposal. Any significant limitation in scope or manner of proposed work, restrictive conditions, etc., should be clearly disclosed. Responses failing to meet all of the specifications will not necessarily be rejected, but any deviations must be clearly noted to be considered.

I. Duration of Proposal

All Proposals shall remain valid without material change for at least ninety (90) days after the Proposal due date.

J. Terms of Proposal

The City requests to view proposals for services from qualified vendors who can provide and meet all specified requirements of this Request for a (3) three year period, with the option of (2) two, singular year renewals to be exercised at the City's sole discretion.

K. Subcontracting

The City is seeking responses from full-service providers. The requirements of this Proposal shall not be subcontracted to other agents, absent express written agreement from the City permitting such assignment.

K. Insurance Requirements

Policies, Coverages, and Endorsements. Respondent agrees to maintain, at its sole cost and expense, the following insurance policies with minimum coverage and limits required by the Commonwealth of Kentucky. Prior to an award of contract Respondent will be asked to include the City (its officers, agents and employees) as a 'Certificate Holder' on the original policy and all renewals or replacements during the term of the agreement.

- a) Commercial General Liability
 - (1) Each Occurrence \$1,000,000
 - (2) General Aggregate \$2,000,000

Professional Liability. Responses to this Proposal shall serve as an affirmation that Respondent currently occupies and maintains professional liability insurance, or errors and omissions coverage, with a minimum limit of \$1,000,000.00 per occurrence. Respondent further affirms that they shall maintain continuous professional liability, or errors and omissions coverage, from the date of commencement of service to at least (3) three years beyond the termination or completion of services, or until any applicable expiration of statute of limitations, whichever is longer. The policy shall provide coverage for all work performed by the Respondent and any work performed or conducted by any subconsultant working for or performing services on behalf of the Respondent.

Worker's Compensation. Responses to this Proposal will serve as an affirmation that Respondent maintains compliance with the Commonwealth of Kentucky's requirements for Worker's Compensation Insurance, KRS Chapter 342. Should Respondent receive an award of contract and enter into an agreement with the City, the Respondent confirms their ongoing compliance with KRS Chapter 342 throughout the lifetime of their agreement with the City.

Subrogation. A waiver of subrogation endorsement to the effect that the issuer waives any claim or right in the nature of subrogation to recover against the City, its officers, agents and employees should be furnished to the City upon request, and prior to an award of service.

Proof of Insurance. Respondent shall include with their proposal policy endorsements confirming adequate insurance levels, as listed above. Prior to an award of service, the policies required by this section shall be shown on a Certificate of Insurance on which the City must be listed as the 'Certificate Holder'.

Cancellation. All relevant Vendor policies, including worker's compensation and general commercial liability, shall be endorsed to provide thirty (30) days advanced written notice to the City of cancellation, nonrenewal and reduction in coverage. Mailed to: Attn: Finance Department, City of Covington, KY, 20 West Pike Street, Covington KY 41011.

L. Indemnification

To the extent permitted under the United States Constitution and the laws of the Commonwealth of Kentucky, Respondent shall agree to indemnify and hold harmless the City and its directors, officers, employees and agents from all suits, actions, claims or cost of any character, type or description brought or made on account of any loss, expense, liability, damage, claim, including personal injury and/or death sustained by any person(s) or property arising out of the acts or negligence of the Respondent, the Respondent's personnel, its agents, and employees, occurring during the performance of its duties.

M. Non-Compliance with Proposal

It is understood and agreed upon by all parties, in the event of an award of contract, if said contract fails to meet the terms and conditions accepted by the City as specified in this Request, and any prior agreements leading up to contract, then the City shall at its sole option have the right to: cancel the contract in its entirety; OR require the Vendor to provide the services as stated in this Proposal at the proposed price.

N. Response Request Disclaimer

This Request does not commit the City to enter into a contract, or award any services in relation to this specific document, nor does it obligate the City to pay any costs incurred in preparation or submission of a Proposal or in anticipation of a contract.

O. Conflicts of Interest Prohibition

By submitting a proposal, Respondent certifies that it is aware of the prohibition against conflicts of interest, gratuities, and kickbacks in KRS 45A.455, which are set forth herein as follows:

(1) It shall be a breach of ethical standards for any employee with procurement authority to participate directly in any proceeding or application; request for ruling or other determination; claim or controversy; or other particular matter pertaining to any contract, or subcontract, and any solicitation or proposal therefor, in which to his knowledge:

- (a) He, or any member of his immediate family has a financial interest therein; or
- (b) A business or organization in which he or any member of his immediate family has a financial interest as an officer, director, trustee, partner, or employee, is a party; or
- (c) Any other person, business, or organization with whom he or any member of his immediate family is negotiating or has an arrangement concerning prospective employment is a party. Direct or indirect participation shall include but not be limited to involvement through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity.

(2) It shall be a breach of ethical standards for any person to offer, give, or agree to give any employee or former employee, or for any employee or former employee to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment, in connection with any decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling or other determination, claim or controversy, or other particular matter, pertaining to any contract or subcontract and any solicitation or proposal therefor.

(3) It is a breach of ethical standards for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order.

(4) The prohibition against conflicts of interest and gratuities and kickbacks shall be conspicuously set forth in every local public agency written contract and solicitation therefor.

(5) It shall be a breach of ethical standards for any public employee or former employee knowingly to use confidential information for his actual or anticipated personal gain, or the actual or anticipated personal gain of any other person.

P. Affidavits

Respondents shall complete and submit the City's Campaign Finance and Non-Collusion affidavits, located at the end of this request, within their proposal documentation.

Q. Claims Against the City

In consideration for the right to respond to this Request, Respondent, waives any claim, liability or expense whatsoever against the City and its staff, Commissioners, and agents by reason of any or all of the following: any aspect of this RFP, the Selection Process or any part thereof, any informalities or defects in the Selection Process, the failure to enter into any agreement, any statements, representations, acts or omissions of the City, the exercise of any discretion set forth or concerning any

R. Applicable Law

This Request and any agreement resulting from this RFP shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. Any dispute arising under this RFP shall be resolved in a court of competent jurisdiction in Kenton County, Kentucky.

III. SCOPE OF SERVICES

The City is seeking Proposals from qualified firms of public accountants to perform and complete a financial and compliance audit, of the financial statements of all governmental, proprietary and fiduciary funds of the City. The term of this agreement shall be limited to (3) three-years with the option of (2) two, singular year renewals, to be exercised at the sole discretion of the City. These audits are to be performed in accordance with Generally Accepted Auditing Standards (GAAS), OMB A-133 and KRS 91A.040.

1. Requirements and Deliverables.

Qualifications. The Contractor shall meet, at the time the Contractor submits its Proposal and throughout the duration of the Contract, all of the following minimum qualifications:

- A. The Contractor must be licensed to practice in Kentucky as a Certified Public Accountant firm.
- B. The Contractor must be a member of the American Institute of Certified Public Accountants and must adhere to the AICPA professional standards of audit practices and conduct.
- C. The person whom the Contractor proposes to assign as manager or supervisor of the Contractor's staff who will perform the audit must have at least two years' experience managing audits of similar governmental units, and the Contractor must demonstrate that the person and staff members proposed to be assigned have assisted other governmental units in obtaining or retaining its Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.
- D. The Contractor must demonstrate the capability to aid the City in ensuring that financial statements issued are in conformity with generally accepted accounting principles for local governments as determined by the governmental accounting and financial reporting standards issued by the Governmental Accounting Standards Board.

Periods to be Audited. The City's fiscal year begins on July 1st, and ends on June 30th. The Contractor shall perform the auditing services for each of the following fiscal years:

- 1. Fiscal Year 2019 – July 1, 2018, through June 30, 2019.
- 2. Fiscal Year 2020 – July 1, 2019, through June 30, 2020.
- 3. Fiscal Year 2021 – July 1, 2020, through June 30, 2021.

By submitting its Proposal, the Contractor warrants and covenants that, unless the City terminates the Contract, the Contractor shall provide the services required under this Contract for at least (3) three Engagement Periods without the need for the City to be subject to any client acceptance or reacceptance policies or procedures.

The City shall retain the sole option to renew these services for (2) two, singular, consecutive years. Each renewal period shall be considered an independent election. All terms and conditions of the original request will apply to any exercised renewal option, unless both parties have consented to further negotiation of terms. The fiscal years covered by these renewal options would be as follows:

- 1. Fiscal Year 2022 – July 1, 2021, through June 30, 2022.
- 2. Fiscal Year 2023 – July 1, 2022, through June 30, 2023.

Comprehensive Annual Financial Report (CAFR). The financial statements of the City shall be audited in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the specifications for 'Annual and Biennial City Audits' as required by KRS 91A.040. The audit will result in the rendering of the Contractor's opinion on whether the financial statements prepared by management are fairly stated. If the Contractor's opinion is other than unqualified, the Contractor shall furnish in writing to management, at the time the opinion is rendered, all reasons for qualifying the opinion, disclaiming the opinion, or rendering an adverse opinion. The report submitted by the Contractor must include an opinion on the supplementary information in relation to the basic financial statements taken as a whole and disclaimer statements related to the required supplementary information and the introduction and statistical sections included in the CAFR. The Contractor shall also perform additional procedures set forth in the applicable engagement letter regarding the supporting schedules of individual funds and discretely presented component units.

- A. The Contractor shall furnish a final copy of the Contractor's report and recommendations to City's management.
- B. The Contractor is responsible for the preparation, editing and printing of the City's CAFR.
- C. The Contractor shall furnish (25) twenty-five bound copies of the CAFR, and (1) digital copy of the report, to City management upon completion.
- D. The Contractor shall present the CAFR to the Board of Commissioners, at a public session as required by KRS 91A.040(6)(e), and to the City's Audit Committee.
- E. The City shall be responsible for submitting the CAFR to the Government Finance Officers' Association of the United States for review in its certificate of achievement program.
- F. The City shall be responsible for submitting copies of the CAFR to the Commonwealth of Kentucky, Department for Local Government.

Single Audit Report. The Contractor shall perform procedures with respect to the City's major federal programs in accordance with provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, or any applicable federal requirement that replaces OMB Circular A-133. The Contractor shall disclose in its report, or in the Schedule of Findings and Questioned Costs, all instances of noncompliance with the specific requirements for major federal award programs. If the Contractor discloses matters of noncompliance in the Schedule of Findings and Questioned Costs, the Contractor shall reference the Schedule in the report on compliance. The Contractor shall include a communication of all reportable conditions, as defined by the AICPA's standards, affecting federal award programs in the report. The

Contractor shall prepare appropriate sections of the data collection form related to the audit of federal programs.

- A. The Contractor is responsible for the preparation, editing and printing of the Single Audit Report, as well as the upload to the federal clearinghouse.
- B. The Contractor shall furnish (25) twenty-five bound copies of Single Audit Report, and (1) digital copy of the report, to the City upon completion.
- C. The Contractor shall be required to present the Single Audit Report to the City's Audit Committee.

Internal Controls. The Contractor shall consider, test, and report on internal controls in accordance with auditing standards generally accepted in the United States of America, the Government Auditing Standards, and the Specifications for Audits of Counties, Cities and Towns. The Contractor shall prepare and deliver a detailed management letter of City issues with recommendations for improvement in internal controls, accounting systems, and procedures. The Contractor, upon completion of its examination and preparation of the necessary reports, shall submit a management letter of the findings on the system of internal control and related budgeting and operating procedures by the December 31 immediately following the end of the fiscal year the Contractor is auditing. The management letter shall also offer recommendations for improving administrative methods when considered by the Contractor to be appropriate and able to be documented within the scope of the audit. The Contractor shall issue this management letter under a separate cover and present the management letter to the City Manager, Finance Director, Mayor and the Audit Committee.

Compliance auditing. The Contractor shall perform tests and report on compliance with provisions of laws, regulations, contracts, grant agreements, and similar requirements in accordance with auditing standards generally accepted in the United States of America, the Government Auditing Standards, and the specifications for 'Annual and Biennial City Audits' as required by KRS 91A.040.

Standards of Conduct. Should the circumstances disclosed by the audit call for more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the City in writing of the need for such additional investigation and the changed agreement shall comply with KRS 91A.040. Any evidence of fraud, such as misappropriation, misfeasance, malfeasance, embezzlement, defalcation or illegal acts shall be immediately reported to the City Solicitor, Attorney General and the Auditor of Public Accounts of the Commonwealth of Kentucky

2. Engagement Requirements.

Engagement Letters. A contract for services shall be made by means of engagement letters in accordance with this section. Prior to the beginning of each Engagement Period, the Contractor shall submit to the Finance Director an engagement letter for review and execution. The engagement letter shall include a description of the general scope of the external auditing services to be provided for that Engagement Period and the fees for that Engagement Period's engagement.

Scheduling. The Contractor shall prepare a general audit schedule which outlines anticipated dates for starting the engagement, completing specific components, post audit conference and presentation to the Board of Commissioners. The Contractor shall prepare a schedule detailing specific tasks for City personnel to complete, and a coordinating requested timeline of completion.

Meetings. The Contractor shall be available to attend scheduled conferences, as requested, between the Contractor and the appropriate level of the City's management before the preliminary work and throughout fieldwork. At a minimum this will include: a pre-audit conference with the City management, prior to the commencement of any work; a presentation at a public meeting to the City's Board of Commissioners, as obligated by KRS 91A.040(6)(e); a presentation to the City's Audit Committee, as designated; and a post-audit conference with City management. The purpose of these meetings is to keep the City's management fully informed on the scope and progress of the audit. The City will give adequate advance notice when the City deems meetings necessary. The Contractor shall provide status reports of the audit at regularly scheduled status meetings with the City's management. The Contractor shall also provide regularly scheduled status updates to the Finance Director and the Audit Committee. The Contractor shall confer with the City's management for the purpose of reviewing the Contractor's audit findings and recommendations prior to issuance of the reports and management letter. The Contractor shall also make its management personnel available to present the Comprehensive Annual Financial Report to the Board of Commissioners and the Audit Committee at a regularly scheduled public meeting and answer questions, if requested to do so.

Scheduling and Procedures. Prior to the beginning of each audit, a separate audit planning conference between the City's management and the Contractor shall be scheduled around April or May of each contract year. At this conference, the Contractor and the City's management will develop a time schedule and administrative procedures to be observed for the engagement. The Contractor shall also provide the City's management with a list of items that the Contractor requires for test work. The timing of such deliverables from the City's management will be discussed at this conference. The procedures

developed for the City's management pursuant to this section shall require a minimum of two weeks' notice to the City Solicitor before information concerning litigation and assessments of outcomes of litigation required from the Office of the City Attorney must be provided to the Contractor.

GFOA Submission. The Contractor shall provide special assistance to the City in order for the City to meet the requirements of the Government Finance Officers' Association of the United States and Canada "Certificate of Achievement for Excellence in Financial Reporting." This special assistance may include but is not limited to (i) review of the disposition of the comments generated from the Government Finance Officers' Association review of the prior year's Comprehensive Annual Financial Report and (ii) review of the Comprehensive Annual Financial Report for compliance with the Government Finance Officers' Association's requirements for the Certificate of Achievement.

Financial Assessment of Public Housing Agencies (FASS-PH). Contractor shall assist in the review and submission of the Financial Assessment of Public Housing Agencies (FASS-PH) information between the City of Covington and the U.S. Department of Housing and Urban Development (HUD). Contractor shall certify to the U.S. Department of Housing and Urban Development (HUD) that the Financial Assessment of Public Housing Agencies (FASS-PH) information submitted agrees with the information reported by the City of Covington as part of our annual audit procedures. Contractor shall be required to submit an electronic report through the Real Estate Assessment Center (REAC) system describing the procedures performed and coordinating findings.

Assistance and Training. The Contractor shall provide all of the following:

- A. Routing routine review and assistance of the financial statements and footnotes, Schedule of Expenditures of Federal Awards, Comprehensive Annual Financial Report, Government Finance Officers' Association Certificate Applications, attendance at audit-related City Council and Audit Committee meetings, and meetings with City officials and City staff as requested.
- B. Sixteen hours of advice, assistance and consultation on financial accounting, reporting, and operational issues to the City each year during the term of the Contract.
- C. Eight hours of certified Continuing Professional Education to all members of the accounting staff in the Finance Department at a location within the corporate limits of the City of Covington during each year of the term of the Contract.

Timing of Deliverables.

- A. The Contractor shall ensure the City's records are examined so that field work is completed no later than October 15th immediately following the end of the fiscal year being audited and shall furnish its opinion on the Comprehensive Annual Financial Report no later than the November 15th immediately following the end of the fiscal year being audited.
- B. The Contractor shall complete the agreed-upon procedures for the Comparative Report Transmittal Forms and the management letter for distribution no later than the November 30th immediately following the end of the fiscal year being audited.
- C. If, during the course of any engagement under this Contract, the Contractor believes that any deliverable will not be provided by the deadline set forth in this Contract, the Contractor shall provide the City's management with written notice explaining the reasons therefor, no later than seven days before the deadline. No deadline may be modified such that the City fails to meet its obligations to the Commonwealth of Kentucky or the federal government.

3. Supplemental Payments Terms.

Invoices. The Contractor shall itemize all billings to clearly show hourly rates and other costs by audit component. The Contractor shall invoice the City, and the City shall have (30) thirty days of receipt of invoice to facilitate payment.

Pricing. Contractor costs and fees shall be detailed in the attached 'summary of audit costs' worksheet, and returned with the submission of their Proposal. The pricing listed on the worksheet for the first, (3) three-year engagement period will be binding onto the Contractor. Pricing associated with the renewal terms shall be negotiated by the City and the Contractor as needed.

Additional Work. The City may request that the Contract be modified to add additional work or deliverables if the City's Finance Director determines that such additional work or deliverable is necessary. The Contractor must provide the City with a detailed estimate of all costs and fees for the additional work or deliverable. The Contractor shall not commence any work before the appropriate City official has signed an engagement letter for the additional work or deliverable meeting the requirements of this Contract.

Access to work papers and other records. The Contractor shall make available to any City representative, upon demand and with reasonable notice, all work papers and other records in its possession concerning work performed under this Request for the City. No charge shall be made for allowing the City's

representatives to examine such work papers and other records. If the City desires copies of any such work papers and records, the City shall pay only the actual cost to the Contractor in making such copies or having such copies made.

Contractor's Personnel. The Contractor's primary contact for the City will be a single person identified in the Contractor's Proposal. This primary contact will be responsible for the supervision of all personnel assigned by the Contractor to perform services under this Contract. The Contractor shall ensure that an appropriate number of qualified personnel are assigned at all times to perform the work required such that the work will be completed by the deadlines set forth in this Request. The Contractor recognizes that the City will be awarding this Contract based, in part, on the qualifications of the personnel the Contractor identifies in its Proposal to assign to perform services pursuant to this Request. Prior to making any change in personnel assigned to the contract resulting from this Request for Proposals who are identified by the Contractor in its Proposal, the Contractor shall provide the Finance Director with 30 days' advance, written notice. In providing such notice, the Contractor shall provide a current résumé for the Contractor's proposed replacement individual. The Finance Director reserves the right to review the qualifications and references for the identified replacement to ensure that the individual's experience and knowledge level will not degrade the level of service otherwise provided under this contract. In addition to the foregoing, the City may request rotating managers, partners, or supervisors, or any of them, during the initial term and any subsequent renewal of the Contract.

IV. SUBMISSIONS OF PROPOSAL

Proposals shall consist of (1) signed original and (3) three copies, to be submitted in a sealed envelope labeled "**ANNUAL FINANCIAL AUDITING SERVICES**" Additionally, Respondents shall be required to submit a digital copy of their proposal on a disk or USB device.

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 conformance with the requirements of this Request. As such, the substance of Proposals will carry more weight than their form or manner of presentation. Proposal should be prepared simply and economically; although additional data may be presented, the following subjects must be included, as they represent the criteria against which the proposal will be evaluated:

- 1. FIRM INFORMATION.** Include the firm name, size, address of office responding, telephone number, contact person with title and email address, and historic information on establishment including parent company, if applicable. State local presence in

the region, if any, and indicate the office location(s) where the majority of the work will be performed.

2. **INDEPENDENCE.** The Respondent should provide an affirmative statement that all personnel materially contributing to the services outlined in this Request are independent of the City.
3. **QUALIFICATIONS.** Provide all of the following information; the types of services offered; the firm's in-house capabilities; and those services which are typically subcontracted to outside firms; the number of professional CPA's on staff who have worked on audits of a similar nature. Respondent shall include an affirmative statement indicating that the Respondent's firm and key staff are properly licensed to practice in Kentucky.
4. **EXPERIENCE.** Provide a summary table listing representative audits completed by the firm within the last five years. List the experience with implementing Generally Accepted Accounting Standards (GAAP), Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS).
5. **SPECIFIC AUDIT APPROACH.** The proposal should set forth a work plan (including an explanation of audit methodology to be followed) to perform the services required in Section III of this Request for Proposal.
6. **REFERENCES.** Respondent shall provide a complete list of references, including contact person, telephone number and email address, for governmental auditing accounts. Respondent shall include a minimum of (3) three references and a maximum of (7) seven references that can attest to the firm's work based on a similar nature and scope. *Kentucky based reference are preferred.* If a firm has provided similar services to a Kentucky client, they must include that firm within their list of references.
7. **PERSONNEL.** Provide the names of the key people who would be available and proposed for assignment to the audit. Include a bio in a standard format, providing title, length of time with the firm, previous employment and total years of experience, professional registrations, awards, and a brief summary of related experience. Each bio should not exceed two (2) pages.
8. **QUALITY ASSURANCE AND QUALITY CONTROL PROCEDURES.** Provide a description of the techniques used by the firm to provide quality control and assurance. Include most

recent peer review report and details on the results of any professional organization, federal or state desk reviews or field reviews of its audits during the past three (3) years.

9. **COST.** Respondent shall complete the attached 'summary of audit costs,' worksheet and include the completed worksheet, inclusive of coordinating documentation, with their Proposal submission. Costs and fees associated with the requested (3) three year, original, term of the contract will be binding. Pricing associated with the renewal terms shall be negotiated by the City and the Contractor, as needed.
10. **NOTICE OF DEVIATION.** *If Applicable.* Deviations from the requested service terms listed below must be expressly disclosed. Responses failing to meet all of the specifications will not necessarily be rejected, but any deviations must be clearly noted to be considered.

V. **EVALUATION PROCEDURES**

A. **Mandatory Criteria**

The City will only consider proposals from Respondents that:

1. Can demonstrate a proven track record of successfully and reliably providing similar services, and products, to similar entities.
2. Are in good standing with the City, as that term is defined in Commissioners' Ordinance No. O-11-06.
3. Are not involved in any adverse claims against the City and are not delinquent in their financial obligations to the City.
4. Can demonstrate substantial compliance with this Request.

B. **Evaluation Criteria**

Respondents meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. Award will be made to the Respondent whose proposal is determined to be the most advantageous to the City based upon the evaluation criteria contain herein, with consideration of the preference for residential bidders as prescribed in KRS 45A.495 (where required and not prohibited by federal law).

The following criteria will be used to evaluate the qualifications of Respondents:

Qualifications and experience of firm.	35 points
Qualifications and experience of assigned personnel.	40 points
Degree of accessibility of Contractor to City staff.	5 points
Competitive pricing as compared to other Respondents.	20 points
Total	100 points

C. Oral Presentations

During the evaluation process, the City may, at its discretion, request any one or all of the firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the City may have on a Respondent firm's proposal. Not all firms may be asked to make such oral presentations.

D. Negotiation of Contractual Terms

After the Selection Committee makes its final determination, the awardee and the City will negotiate and execute a final agreement prior to the commencement date. Failure by any Respondent to timely respond or come to terms with the City will be cause for a rejection of the Proposal.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the Respondent 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 City and the Respondent firm selected. The City reserves the right, without prejudice, to reject any or all proposals.

VI. SELECTION PROCEDURES

A. The Selection Committee

The Selection Committee shall be comprised of at least (3) and up to (7) City staff and/ or delegates. Those delegates shall include at a minimum:

1. The City's Finance Director

2. The Senior Accounting Manager
3. A Designee of the City Manager

B. Selection Process: (see *Time Line of Events*)

Respondent Questions. City shall answer any questions that Respondents may have prior to the submission deadline. All questions should be submitted in writing by electronic mail directly to Allison Hudson, Procurement Officer, at ahudson@covingtonky.gov. All answered questions shall be made available via the City's website, www.covingtonky.gov. It shall be Respondent's obligation to reference the City's website, as needed, prior to submission of a Proposal. It is each Respondent's responsibility to read this Request in its entirety, and fully acquaint themselves with the scope of services outlined herein. The failure of the Respondent to do the foregoing does not relieve the Respondent from any obligation with respect to the bid Proposal submitted. If any Respondent is in doubt as to the true meaning of any part of the specifications, the Respondent should submit a written request for an interpretation.

Award. Award shall be made to the responsible Offeror whose proposal is determined in writing to be the most advantageous to the City based upon the evaluation factors set forth herein.

C. Negotiation of Award.

After the Selection Committee makes a final determination, the awardee and the City will negotiate and execute a final agreement prior to the commencement date. Failure by any Respondent to timely respond or come to terms with the City will be cause for a rejection of the Proposal.

VII. ADDITIONAL INFORMATION

A. Modifications

The City reserves the right to modify this Proposal through written addendum at any time prior to the Proposal deadline for any reason. All modifications shall be issued in a written addendum and made available on the City's website, www.covingtonky.gov, and prior to the deadline for submissions.

The City shall not be responsible for oral interpretations given by any City employee, representative, elected official, or others. The issuance of written addenda is the only official method whereby interpretation, clarification, or additional information can be given. If any addenda are

issued to this Proposal, the City will attempt to notify all prospective submitting entities via a public notice, and the addenda shall become a permanent part of the Proposal; It shall be the responsibility of each submitting entity, prior to submitting a Proposal to review the Request details at www.covingtonky.gov, to determine if any addenda were issued and to make such addenda a part of the submission of its Proposal.

B. Competitive Bidding Negotiations

It is the intent of the City that this Request is conducted according to the competitive negotiation procedures set forth in KRS 45A.370. It shall be the Vendor's responsibility to advise the City if any language, requirements, etc. or any combination thereof, inadvertently restricts or limits the requirements stated in this Proposal to a single source. Such notification must be submitted in writing and must be received no later than three (3) days after the opening date.

C. Exclusions

Accidental exclusions on behalf of the City in this Request will not be held against the City as an extra cost of doing business. It is the responsibility of the Respondent to assure that all necessary information including costs of providing the described service herein are included in the Respondent's Proposal. Any "hidden" fees or services intentionally excluded or added to a Proposal to deceive the City will immediately disqualify the Respondent from this and any further business with the City.

D. Public Information Notice

All Proposals submitted to the City will be kept in confidence by the Selection Committee until a final award is made, and shall be used solely for the purpose of evaluating the Proposal for a possible award. The City retains the right to provide copies provided by Respondents to its staff, legal, technical, and financial advisors and representatives. Respondent should take care not to provide any confidential information, trade secrets or other intellectual property, that they do not want to be received by City staff.

Please note that all information submitted for review may be subject to the **Kentucky Open Records Act** and may be made available upon request by the public. Respondents should identify any confidential, proprietary information or trade secrets and provide justification as to why the disclosure of the records would permit an unfair commercial advantage to the Respondent's competitor.

**CITY OF COVINGTON, KENTUCKY
SOLICITATION OF PROPOSAL TO CONDUCT AUDIT
SUPPLEMENTAL DATA**

1. A copy of the FY18 CAFR can be found at this website address:
<https://www.covingtonky.gov/government/financials>

2. The City of Covington uses KVS, GOVCOLLECT and SPRINGBROOK as its accounting software:

General Ledger - Springbrook
Payroll - Springbrook
Accounts Payable – Springbrook
Receivables – Springbrook
Budgeting – Springbrook
Bank Reconciliation – Springbrook
Cash Receipts – Springbrook
Fixed Assets - Springbrook
Business Tax - Springbrook
Collections – KVS
Billing (Property and Waste Fees) - GovCollect

3. The City has implemented ProSystem FX Engagement software as a tool to automate the preparation of the CAFR.

4. During the audit, Finance Department staff will make themselves available to assist the audit team. Every effort is made to provide requested data as quickly as possible.

5. There are no significant differences in the Federal Funding levels since FY 2018.

6. There are no significant changes in record keeping or number and types of funds since FY 2018.

7. The City is required by the Office of Management and Budget Circular A-133 to have an audit conducted in accordance with the circular if we exceed \$500,000 or more in a year in Federal Funds. The City of Covington must comply with OMB Circular A-133. The City is expected to expend more than \$500,000 in Federal Funds.

8. The City anticipates closing all accounting records on July 31st, 2019.

9. Expected audit report due date is September 30, 2019; this is to ensure deadline of commission approval of audited financials by October 11th, 2019.

Summary of Audit Costs Worksheet

	FY 19	FY 20	FY 21
	*binding	* binding	*binding
Base Audit Fee: Includes all personnel costs, travel, on-site work, materials and supplies, etc.			
CAFR Preparation:			
Single Audit Report Preparation:			
Other Costs: (define any other reimbursable expenditures)			
Total Costs:			

'Total Costs' should represent the total cost of all services to be delivered, with a breakdown of costs associated with major phases/ deliverables of the Request. Below, the City would ask that you detail the specific components of the Base Audit Fee and Other Costs. Please provide this information on a separate page, to be included in your response.

Personnel Costs –

Itemize the following for each category of personnel (partner, manager, senior, staff accountant, clerical, etc.) with the different rates per hour.

1. Estimated Hours – categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor's office.
2. Rate per hour.

Please note * should the City seek out additional auditing services under this contract the hourly rates listed within the Respondent's returned Proposal will be binding for the first, (3) three year term of the agreement.

Travel –

Itemize any travel costs Respondent would be seeking from the City of Covington, in the execution of this Request.

Materials & Supplies –

Itemize any material and supply costs Respondent would be seeking to be reimbursed for by the City of Covington.

Other Costs –

Itemize any additional costs Respondent may be seeking from the City of Covington during the execution of this contract.

If applicable, note your method of determining increases in audit costs on a year-to-year basis.

- (c) did not, in any manner, directly or indirectly, seek by agreement, communication or conference with anyone to raise or fix the bid price of said submitter or of anyone else, or to raise or fix any overhead, profit or cost element of his proposal price, or that of anyone else;
- (d) did not, directly or indirectly, submit his bid price or any breakdown thereof, or the contents thereof, or divulge information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, or to any individual or group of individuals, except to the awarding authority or to any person or persons who have a partnership of other financial interest with said submitter in his business; and
- (e) did not include in his bid price any fees, dues, charges, or assessments because required to do so by reason of his membership in or affiliation with any association, organization, corporation, partnership, company, individual or group of individuals, or because of any agreement or understanding with anyone that he would do so.

Signed: _____

Title: _____

Subscribed and sworn to before me this _____ day of _____, 20____.

(SEAL OF NOTARY HERE)

Notary Public in and for

My commission expires _____.

+ + END OF NON-COLLUSION AFFIDAVIT OF SUBMITTER + +

