REQUEST FOR PROPOSAL
FINANCIAL AND COMPLIANCE AUDIT
BID PACKET

Harriman, Tennessee Bid Packet

Purpose

The City of Harriman has issued this request for proposals to interested auditors, who are qualified under state law and regulations, for the performance of a financial and compliance audit of the city in accordance with the requirements of the laws and/or requirements of the State of Tennessee.

Scope

The audit will examine the financial statements and records of all funds and account groups of the city for the fiscal year ending June 30, 2003. In addition, the successful bidder will examine the financial statements and records of all funds and account groups of the city for the fiscal years ending June 30, 2004 and June 30, 2005.

Type Of Audit

The audit will be a financial and compliance audit and will be conducted in accordance with generally accepted audit standards adopted by the American Institute of Certified Public Accountants, and the standards adopted by the Comptroller of the Treasury of the United States and those prescribed by the Comptroller of the Treasury of the State of Tennessee. The audit will be conducted in accordance with all guidelines as specified as the Single Audit Act of 1984 (Public Law 98-502). The audit must include the new fixed asset reporting requirements as stipulated in GASB 34. Initial setup in this requirement is slated for the fiscal year ending in 2003.

General Requirements

1. The auditor shall submit to the city's governing body a printed report of the audit. This report shall contain an expression of opinions on the financial statements of the combined, combining, and individual funds that said statements are fairly stated, or opinions as to certain funds or items in the financial statements, or a disclaimer of opinions and the reasons therefor.

2. Copies of the report will be furnished to the city's governing body and one copy to the Comptroller of the Treasury), municipal audit division.

3. The audit shall begin prior to August 1, 2003. and the reports shall be submitted prior to December 1, 2003, but in no case later than six (6) months after the fiscal year end.

4. The auditor shall retain the working papers for no less than three years, and they shall be available for review by the Comptroller of the Treasury or a designated representative.

5. Pertinent data from the working papers shall be available for three years for reference if requested by the city.

6. In the event that circumstances arise during the audit that require work to be
performed above original estimates, such cost will be negotiated prior to commencement of the work.

7. An audit exit conference with the chief executive officer of the city will be conducted by the auditor in charge. At this time the findings and recommendations regarding compliance and internal control shall be discussed. The city official or a designee shall have the opportunity to respond, orally or in writing, on the findings. Any such written responses shall be included in the audit report.

8. The records of the city will not be removed from city offices except with expressed written permission of the chief executive officer of the city.

9. The RFP and the auditor's proposal will become part of the audit contract as prescribed by the State Comptroller.

10. State your audit firm's willingness to enter into a contract for three years.

11. All adjusting entries will be submitted to the city in writing with sufficient explanation so that they can be easily understood and properly posted to the financial records. Example: listing of invoices charged to accounts payable supporting any adjusting entries.

12. Financial audit must also conform with GASB 34 reporting requirements.

**General Information**

The city shall have closed and balanced all accounts and shall have prepared financial statements for all funds to be examined by the auditor. Page 10 provides details related to the number of funds maintained by the city and a summary of the activities of these funds.

The city's general ledger system is maintained on/by ___________________; the utility billing system is maintained on/by ___________________ ; and the payroll system is provided on/by ___________________. The property tax bills are printed by the state and all other records are maintained manually.

If additional information is required prior to submitting a proposal, inquiries should be directed to ___________________ at _________________ or by telephone at (___) ______-_______.

**Proposal Format**

The proposal shall be styled at the discretion of the submitter; However, at a minimum it must address these areas:

1. Breadth and depth of the firm's governmental auditing experience;

2. Organization size and structure of the firm;

3. Qualifications of staff to be assigned to the work; this will be determined from resumes submitted. Education, position in firm and years and types of experience will be considered.

4. Availability of the auditor to the city for specialized consultation and support
assistance on sensitive or highly specialized issues;

5. Type and level of training provided to the firm's staff;

6. A list of references from other local government clients.

7. The audit fee must be quoted either as a fixed amount or rate per hour, with total estimated hours. If the latter method is used, a maximum amount must be stated for budgetary purposes. Also estimated incidental expenses, such as travel and supplies, will be included.

Submittal Information

Proposals shall be submitted no later than March 31, 2003 to:

Opening of Proposals

All proposals will be opened at the regular meeting of the governing body to be held in April 2003 or at a later time and date as specified below.

Time

Date

Place

Reservation Of Right

The city reserves the right to reject any or all proposals, to waive technicalities or informalities, and to accept any proposal deemed to be in the best interest of the city.

CITY OF HARRIMAN, TENNESSEE

Volumes/Frequencies/Amounts

Population _________________________

Budget ____________________________

Accounting System:

Number of funds
Check accounts
Number of purchase orders ____________/year
Number of invoices ________________/year
Number of payable checks ____________/year
Number of receipts ________________/year
Payroll

Number of employees _______________________
Frequency of payroll _______________________
Number of payroll checks _______________________/year

Utilities

Number of water customers ___________________
Number of sewer customers ___________________
Number of natural gas customers _______________
Number of electricity customers _______________
Number of utility bills _______________________/year

Property Tax

Number of parcels _______________________

Business Tax Licenses

Number of licenses _______________________

Other Records

<table>
<thead>
<tr>
<th>Item</th>
<th>Volume</th>
</tr>
</thead>
</table>

APPENDIX III

The following factors should ordinarily be considered during an evaluation.

**Technical Factors**

1. Responsiveness of the proposal in clearly stating an understanding of the work to be performed.

   Evaluators should consider:
   
   - Appropriateness and adequacy of proposed procedures.
   - Reasonableness of time estimates.
   - Appropriateness of assigned staff levels.
   - Timeliness of expected completion.

2. Technical experience of firm.

3. Qualifications of staff.
4. Size and structure of the firm.

Cost Factors

1. Cost of the work to be performed.

Although cost is a significant factor, it should not be the dominating factor. Cost should be given more importance when all other evaluation criteria are relatively equal.

If there is reason to believe that an unreasonably low proposal has been made, it should be rejected. One method of measuring reasonable-ness is to divide the proposed cost by a reasonable average hourly rate to show hours of effort that might be expected.

Included as part of this appendix to these guidelines is an example of all evaluation method.

**EXAMPLE OF A PROPOSAL EVALUATION METHOD**

The following is an example of a method of evaluating proposals. The evaluation formula and the values assigned to the criteria given are for illustration only. Requesters should design formulas and criteria that meet their own needs.

Total scores will be determined by adding the points received for technical qualifications (maximum of 70 points) to the points received for the cost of the audit (maximum of 30 points). The total score will be determined by the following formula:

\[
\text{Total Score} = \left( \frac{\text{Technical Score for this firm}}{\text{Highest Technical Score Received}} \right) \times 70 + \left( \frac{\text{Lowest Cost of all Bids}}{\text{Cost of Bid for this Firm}} \right) \times 30
\]

In the event that oral interviews are necessary, additional points will be given on a scale of 0-10. While the total score will be a factor, the requester reserves the right to make final selection.

The evaluation of technical qualifications will be based on the following criteria:

**Mandatory Criteria**

Proposers will not be considered unless they meet each of the following criteria:
Must be a certified public accountant properly licensed in the state of Tennessee.

Must meet the independence standards of the GAO Standards For Audit of Governmental Organization, Program, Activities and Function (1981 Revision).

Technical Criteria

Those proposers who have met each of the above criteria should be evaluated using the following criteria:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Point Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prior auditing experience</td>
<td>(0-20)</td>
</tr>
<tr>
<td>a. Auditing the type organization (of audit)</td>
<td></td>
</tr>
<tr>
<td>under consideration</td>
<td>0-10</td>
</tr>
<tr>
<td>b. Auditing local governments</td>
<td>0-5</td>
</tr>
<tr>
<td>c. Auditing similar entities</td>
<td>0-5</td>
</tr>
<tr>
<td>2. Organization size and structure of firm.</td>
<td>0-5</td>
</tr>
<tr>
<td>3. Qualification of staff, including consultants, to be assigned to audit. Education, position in firm, and years and types of experience will be considered. This will be determined from resumes submitted.</td>
<td>(0-25)</td>
</tr>
<tr>
<td>a. Qualifications and audit team makeup.</td>
<td>0-20</td>
</tr>
<tr>
<td>b. Overall supervision to be exercised over audit team by firm's management.</td>
<td>0-5</td>
</tr>
<tr>
<td>4. Firm's understanding of work to be performed. This will be determined by the approach to the audit and the time estimated to perform each section.</td>
<td>(0-20)</td>
</tr>
<tr>
<td>a. Audit coverage</td>
<td>1-15</td>
</tr>
<tr>
<td>b. Realistic time estimates of program section</td>
<td>0-5</td>
</tr>
<tr>
<td>5. Cost of the audit.</td>
<td>0-30</td>
</tr>
</tbody>
</table>

Maximum points 100