

TOWN OF KILLINGWORTH

BOARD OF FINANCE

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

DATE: February 14, 2018

**TOWN OF KILLINGWORTH
REQUEST FOR PROPOSAL – AUDIT SERVICES**

I. INTRODUCTION

A. General Information

The Town of Killingworth is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2018, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the provision of the federal Single Audit Act of 1984, as amended in 1996, U.S. Office Management and Budget (OMB) Circular A-133, Audit of States, Local Governments and Non-Profit Organizations, and in conjunction and conformity with sections 4-230 through 4-236 of the Connecticut General Statutes regarding the state Single Audit Act.

There is no expressed or implied obligation for the Town of Killingworth to reimburse firms for any expense incurred in preparing proposals in response to this request.

To be considered, the Town of Killingworth must receive three (3) copies of a proposal by 4:00 p.m. on Tuesday, April 10, 2018. The Town of Killingworth reserves the rights to reject any or all proposals submitted. The Board of Finance will evaluate proposals submitted.

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

The Town of Killingworth 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 Town of Killingworth and the firm selected.

It is anticipated the selection of a firm will be completed by May 8, 2018. Following the notification of the selected firm it is expected a contract will be executed between both parties within 30 days of approval.

B. Terms of Engagement

A three (3) year contract is contemplated including two (2) one-year renewals, for a total contract term not to exceed three fiscal years, subject to:

- The annual review and recommendation of the Financial Director
- The annual reappointment by the Board of Finance
- The annual availability of an appropriation

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The Town Charter stipulates that “annually, the Board of Finance shall appoint a Certified Public Accountant or firm of Certified Public Accountants, who may serve for three consecutive years, followed by one year of ineligibility, to audit the books and accounts of the Town as required in the Statutes.”

The agreement for auditing services may be terminated by either party with sixty (60) days written notification to the other no later than January 31 of the fiscal year to be audited.

C. Qualifying Requirements

Firms submitting proposals must be qualified to perform independent audits of municipalities of the State of Connecticut. The firm must have been engaged during the fiscal year ending June 30, 2016, as independent Auditors for the purpose of rendering an opinion on the annual financial statements of at least five (5) Connecticut municipalities.

The auditor’s offices must be located within the State of Connecticut, and resident staff must be able to offer the full range of auditing services required by this Request for Proposal.

II. NATURE OF SERVICES REQUIRED

A. General

The Town of Killingworth is soliciting the services of qualified firms of certified public accountants to audit the basic financial statements for the Town of Killingworth for the fiscal years ending June 30, 2018, with options for extensions for the fiscal years ending 2019 and 2020. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The Town of Killingworth desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

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, the standards for financial audits set forth in the U.S. Comptroller General’s Government Auditing Standards, the provision of the Single Audit Act Amendments of 1996, the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and NonProfit Organizations, and in conjunction and conformity with sections 4-230 through 4-236 of the Connecticut General Statutes (the State Single Audit Act).

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D. Reports to be Issued

Separate financial statements are to be issued for the Town of Killingworth annual report and any required single audit reports. Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue, as required by generally accepted auditing standards, and government Auditing standards, OMB Circular A-133, and the Connecticut General Statutes, including but not limited to the following:

Financial

INDEPENDENT AUDITORS REPORT

State Single Audit

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Federal Single Audit (if necessary)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The auditor shall communicate in a letter to management and the Board of Finance any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organizations' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The auditor shall appear at a minimum of two (2) regularly scheduled meetings of the Board of Finance each year: once to present and discuss line items at significant variance from the budget and once to present and discuss the audit.

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Irregularities and illegal acts

Auditors shall be required to make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

First Selectman
Chairman Board of Finance

Such notice shall be in addition to any notice to grantors required by single audit legislation.

Auditors shall assure themselves that the Town of Killingworth Board of Finance is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Special Considerations

1. A copy of all audit adjustments shall be furnished to the Finance Office
2. The selected firm shall be available on occasion to assist in certain accounting issues if they arise during the course of the year. These issues may include governmental accounting pronouncements and internal control procedure improvements
3. The schedule of federal and state financial assistance and related auditor's reports, as well as the reports on the internal control structure and compliance are to be issued separately from the basic financial statements

F. 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 three (3) years, unless the firm is notified in writing by the Town of Killingworth of the need to extend the retention period. The auditor will be required to make working papers available, upon request by the Town of Killingworth.

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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.

G. Implied Requirements

All services not specifically mentioned in this request for proposals that are necessary to provide the functional capabilities described by the auditor shall be included in the scope of the work to be performed.

III. DESCRIPTION OF THE GOVERNMENT

A. General

The auditor's principal contact with the Town of Killingworth will be Financial Director or a designated representative, who will coordinate the assistance to be provided by the Town of Killingworth to the auditor. In the event that the Financial Director's position is vacant, the principal contact would be the Board of Finance Chairman.

B. Background Information

The Town covers an area of 36 square miles in east central Connecticut with a population of 6,125.

The Town of Killingworth's fiscal year begins on July 1 and ends on June 30.

More detailed information on the government and its finances can be found in the following documents provided with this Request for Proposal:

1. Basic Financial Statements, June 30, 2017 (Town of Killingworth)
2. State Financial Assistance Reports, June 30, 2017

C. Fund Structure

The Town of Killingworth reports the following major governmental funds:

- General Fund
- Reserve Fund for Capital and Nonrecurring Expenditures

The Town also reports the following fund types:

- Special Revenue Funds
- Pension Trust Funds
- Agency Funds

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IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Statements and Schedule to be prepared by the Town of Killingworth

The staff of the Town of Killingworth will provide balanced trial balances, certain supporting schedules and information necessary to prepare the government-wide financial statements. However, auditor assistance may be required with certain note disclosures or schedules.

B. General

Office space will be provided in close proximity to the financial records. Telephones will be made available as well as the use of a copy machine during the engagement. The auditor will be required to provide its own equipment and other office materials.

C. Report Preparation

Report(s) preparation, editing, reproduction costs and printing shall be the responsibility of the auditor.

V. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposal issued	Wednesday, February 14, 2018
Mandatory Bidders' Conference	Friday, March 23, 2018 @ 2 p.m.
Due date for proposals	Tuesday, April 10, 2018
Appointment by Board of Finance (no later than)	Tuesday, May 8, 2018
Contract date	within 30 days of appointment

B. Date Audit May Commence

Preliminary fieldwork may begin immediately following appointment by the Board of Finance. The Town of Killingworth will have records ready for audit and all management personnel available to meet with the firm's personnel no later than October 1, 2018.

C. Report Submissions

Copies of all reports shall be addressed to the Financial Director. The successful proposer will also submit copies of reports to the State of Connecticut Office of Policy and Management, and various Single Audit Cognizant Agencies and other agencies as the Town may require.

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- ii. Table of Contents
 - iii. Cover Letter: The cover letter should briefly state the proposer’s understanding of the work to be performed, the commitment to perform the work within the time period; a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for the period covered. The cover letter should indicate whether the firm is independent with respect to the Town of Killingworth and that the firm is an equal opportunity employer.
 - iv. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this proposal (Appendix A)
 - v. Detailed Proposal: The detailed proposal should follow the order set forth below in sections V1 B of this request for proposal.
 - vi. At least four (4) qualified references, including contact persons, addresses, and phone numbers
- b. The proposer shall submit three (3) copies of a dollar cost bid attached to this request for proposals (Appendix B).
- c. Each proposer shall submit one copy of at least two different Basic Financial Reports issued by Connecticut municipalities within the last year in which their opinion is contained.
- d. Proposers should send the completed proposal consisting of the two (2) separate envelopes to the following address:

Regina Regolo
Financial Director
323 Route 81
Killingworth, CT 06419

Envelope #1: Technical Proposal

Envelope #2: Sealed Dollar Cost Bid

B. Technical Requirements

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 Town of Killingworth 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 proposal requirements.

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The technical proposal should address all the points outlined in the request for proposals (excluding any cost information that should only be included in Appendix B). The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional items may be presented, the following subjects, items Nos. 2 through 8, must be included.

2. Independence

The firm should provide an affirmative statement that it is independent of the Town of Killingworth as defined by generally accepted accounting standards and the U.S. Comptroller's General Government Auditing Standards.

The firm should also list and describe the firm's professional relationship involving the Town of Killingworth or any of its agencies for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the Town of Killingworth written notice of any professional relationship entered into during the period of this agreement.

3. License to Practice in Connecticut

An affirmative statement should be included indicating that the firm and all assigned key professional staff are qualified to practice in Connecticut.

4. Firm Qualifications and Experience

The proposal should 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 staff to be so employed on a part-time basis.

At a minimum, proposers must have at least five (5) years municipal experience as independent auditors for the purpose of rendering an opinion on financial statements. Describe the range of audit, accounting and management services activities performed by the local office.

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.

The firm shall also provided 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

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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 Connecticut. 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 of staff over the term of the agreement would be assured.

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 Town of Killingworth. However, in either case, the Town of Killingworth retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the Town of Killingworth, which retains the right to approve or reject replacements.

At a minimum, supervisory member of the audit team, including the “in charge” field auditor, must have a minimum of three (3) years of municipal audit experience.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Similar Engagements with Other Government Entities

For the firm’s office that will be assigned responsibilities for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours and the name and telephone number of the principal client contact.

7. Identification of Anticipated Potential Audit Problems

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The proposal should identify and describe any anticipated potential audit problems, the firm’s approach to resolving these problems and any special assistance that will be requested from the Town of Killingworth.

C. Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The Town of Killingworth will not be responsible for expenses incurred in preparing and submitting the technical proposal or the dollar cost bid. Such costs should not be included in the proposal.

2. Fixed Fees by Category

The dollar cost bid should include a schedule of professional fees and expenses; presented in the format provided in the attachment (Appendix B), that supports the total all-inclusive price.

3. Rates for Additional Professional Services

If it should become necessary for the Town of Killingworth to request the auditor to render any additional services requested in this request for proposals 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 as set forth in an addendum to the contract between the Town of Killingworth and the firm. Any such additional work agreed to between the Town of Killingworth 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.

4. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm’s dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month.

VII. EVALUATION PROCEDURES

A. Selection Committee

The Board of Finance will evaluate proposals submitted

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B. Evaluation Criteria

The following represents the principal selection criteria that will be considered during the evaluation process of the proposals.

1. The audit firm is independent and licensed to practice in Connecticut.
2. The firm has no conflict of interest with regard to any other work performed by the firm for the Town of Killingworth.
3. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality of audit work.
4. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.
5. The firm's past experience and performance on comparable government engagements.
6. 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.
7. Experience with the preparation of federal and state financial assistance and related reports.
8. Cost of the audit.

C. Oral Presentations

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

D. Final Selection

The Board of Finance of the Town of Killingworth will approve a firm based upon their review of the proposals and any oral interview conducted.

It is anticipated that a firm will be selected no later than May 8, 2018. Following notification of the firm selected, it is expected a contract will be executed between both parties within thirty (30) days of approval.

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 contract between the Town of Killingworth and the firm selected.

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The Town of Killingworth reserves the right, without prejudice, to reject any or all proposals or parts thereof for any reason, to negotiate changes to proposal terms and to waive minor inconsistencies with the request for proposal.

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**APPENDIX A
PROPOSER GUARANTEES AND PROPOSER WARRANTIES**

Proposer Guarantees

1. The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

Proposer Warranties

1. Proposer warrants that it is willing and able to comply with State of Connecticut laws with respect to foreign (non-state of Connecticut) corporations.
2. Proposer warrants that it is willing and able to obtain insurance coverages as follows:
 - A. Workers Compensation – Coverage will be in accordance with State of Connecticut requirements at the time of bid.
 - B. General Liability – a minimum limit of liability per occurrence of \$1,000,000 for bodily injury and \$100,000 for property damage or \$1,000,000 combined single limit. This insurance shall indicate on the certificate of insurance the following coverages and indicate the policy aggregate limit applying to premises and operations; broad form contractual; independent auditors and subcontractors; products and completed operations; and shall name the Town of Killingworth as an additional insured.
 - C. Automobile Liability – insurance with a minimum limit of \$1,000,000 for bodily injury and \$100,000 for property damage or \$1,000,000 combined single limit. This insurance shall cover any automobile for bodily injury and property damage.
 - D. Professional Liability – insurance with a minimum limit of \$1,000,000 per claim and policy aggregate, to include errors and omissions coverage providing \$1,000,000 of coverage for willful or negligent acts, or omissions of any officers, employees or agents in conjunction with the services to be provided. Coverage limits shall be \$1,000,000 or more, per occurrences without reduction for claims paid during the policy period.

Verification of Coverage

Upon request, the Auditor shall furnish the Town with certificates of insurance effecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by the insurer to bind coverage on its behalf. The certificates and endorsements are to be received and approved by the Financial Director before work commences. Renewal of expiring certificates shall be filed thirty (30) days prior to expiration. The Town reserves the right to require complete, certified copies of all required policies, at any time.

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3. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the Town of Killingworth.

4. Proposer warrants that it will not discriminate against any employee or applicant for employment because of sex, race, color, creed, national origin, age, marital status or the presence of any sensory, mental or physical handicap. Any violation of this provision shall be considered a violation of a material provision of this agreement and shall be grounds for cancellation, termination or suspension in whole or in part of the agreement by the Town and may result in ineligibility for further Town contracts. The proposer shall at all times in the proposal and contract process comply with all applicable Town, state and federal antidiscrimination laws, rules, regulations and requirements thereof.

5. Proposer warrants all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

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APPENDIX B

FIXED FEES/DOLLAR COST BID

To be submitted in a separate envelope.

Firm's name _____

Location of office staffing the audit: _____

Number of municipal professional audit staff at this assigned location: _____

Number of municipal audit staff assigned to Town: _____

FIXED FEES

Town of Killingworth	Year 1	Year 2	Year 3
Basic Financial Statement Audit	_____	_____	_____
Federal & State Single Audit	_____	_____	_____
TOTAL	_____	_____	_____

Rate for hours in excess of those above or for services outside the specified scope:

	Rate per Hour
Partner	\$ _____
Manager	\$ _____
Staff	\$ _____
Other	\$ _____

Submitted by _____

Date _____

Signature _____

Title _____

Telephone _____

Fax _____

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**APPENDIX C
SUMMARY OF ITEMS TO BE INCLUDED IN THE REQUEST FOR PROPOSAL**

Your request for proposal must include the following items:

Envelope 1 (Technical Proposal)

- Three (3) copies of the Technical Proposal (follow outline on page 8)
- One copy of at least two (2) different basic financial reports issued by Connecticut municipalities in which your opinion is contained
- Three (3) executed copies of Proposer Guarantees and Proposer Warranties (Appendix A)

Envelope 2 (Dollar Cost Bid)

- Three (3) copies of the dollar cost bid (Appendix B)