Request for Proposal
To Audit Specified Local Governmental Units

June 25, 2009

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Section I

General Information

A. Issuing Office

This Request for Proposal (RFP) is being issued by the Kentucky Auditor of Public Accounts (APA), Crit Luallen, 209 St. Clair Street, Frankfort, Kentucky 40601-1817.

B. Purpose of Document

The purpose of this RFP is to solicit proposals to audit specified local governmental units, under the auspices of the APA, for the fiscal periods as identified in Section VIII, Groups of Local Government Audits, from duly licensed, independent certified public accounting firms [FIRM(s)] qualified to do business in the Commonwealth of Kentucky. APA audits of local governmental units are mandated by KRS 43.070(1), which states in part:

> To determine whether any unauthorized, illegal, irregular, or unsafe handling or expenditure of revenue or other improper practice of financial administration has occurred and to assure that all proper items have been duly charged, taxed, and reported, the Auditor shall audit annually: (a) the funds contained in each county's budget; and (b) the books, accounts, and papers of all county clerks and sheriffs.

C. Commitment of APA

APA reserves the right to withdraw this RFP at any time and for any reason. Receipt of proposal materials by APA or submission of a proposal to the Commonwealth confers no rights upon FIRM nor obligates APA in any manner.

One or more personal service contracts, based on this RFP, may or may not be awarded. Any contract awarded as a result of this RFP shall not be effective until executed by the parties, properly approved by the Finance and Administration Cabinet, and filed with the Government Contract Review Committee of the Legislative Research Commission. Any agreement shall be construed and interpreted according to the laws of the Commonwealth of Kentucky. This RFP and FIRM'S proposal shall become a part of the contract, if and when executed.

D. Projected Timeline and Submission Date for Proposals

The following is a projected 2009 timeline for this procurement:

June 25	RFP Issued
July 8	Mandatory Pre-Award Conference
July 15	Proposals Due
July 16 - 31	Evaluation of Proposals & Negotiation of Contracts
Aug. 14	Projected Date of Contracts' Effective Date
Staggered Dates	Deadlines for audit completion will be staggered, and will be determined during contract negotiations prior to award.

To be considered for contract award, four copies of the technical proposal requested by this RFP must be received at the office of Sally Hamilton, Executive Director, Office of Financial Audits, Auditor of Public Accounts, 209 St. Clair Street, Frankfort, Kentucky, 40601-1817, by **4:30 p.m. EDT on, Wednesday, July 15, 2009**. Additionally, two copies of each cost proposal requested by this RFP are required and must be received at the office of Cindy James, Assistant Auditor of Public Accounts, Auditor of Public Accounts, 209 St. Clair Street, Frankfort, Kentucky, 40601-1817, by **4:30 p.m. EDT on Wednesday, July 15, 2009**. **Proposals tendered after these times will not be accepted.**

In lieu of submitting hard-copy proposals, both technical and cost proposals for this RFP may be submitted electronically via email to the APA. Technical proposals, if submitted electronically by email, shall be emailed to Sally.Hamilton@auditor.ky.gov; and cost proposals, if submitted electronically by email, shall be emailed to Cindy.James@auditor.ky.gov. Both technical proposals and cost proposals, if submitted electronically by email, shall be submitted using either Microsoft WORD® or Adobe PDF®, and the same person signing the transmittal letter in the technical proposal shall sign the cost proposal, using electronic signatures (an electronic signature may be either a facsimile of a handwritten signature or a signature in a font distinctively different from the transmittal letter's font). **All proposals submitted electronically by email must be sent to the APA on or before 4:30 p.m. EST, Wednesday, July 15, 2009**.

E. Period of Contract and Completion Dates for Work to Be Performed

If a contract is issued, the term of the contract shall be from or about August 14, 2009 through June 30, 2010, with all work to be performed under the contract to be timely and correctly completed in accordance with the audit completion schedule, which dates shall be determined during the contract negotiation phase and made a part of the contract.

At the APA's option, and with the FIRM's approval, any contract awarded for an audit of the financial statements of an auditee may be renewed, subject to the approval of the Secretary of the Finance & Administration Cabinet, for one additional year to conduct the annual audit for the succeeding fiscal or calendar year, as the case may be. The cost of such audits shall remain the same as the prior year's audit except that an audit's cost may be amended to provide for scope changes requested by the APA.

F. Payment for Services

1. Payment Procedures

Payment is predicated upon completion of the described work and APA approval of audit documentation. Invoices shall be signed and submitted to the Auditor of Public Accounts, Crit Luallen, 209 St. Clair Street, Frankfort, Kentucky, 40601-1817, with adequate supporting documentation, including but not limited to:

- Period the services cover;

- Detail of hours worked with the hourly rate and detail of total hours worked on each audit engagement with the number of hours spent on federal (single audit) work and the number of hours spent on component unit work broken out separately.

Payment will be made only for hours actually worked.

2. Method of Payment

After an audit report is submitted to the APA in accordance with Section III.E.3. of this RFP, the APA, after a detailed review of all audit documentation, shall submit the FIRM's invoice for payment processing of fifty percent (50%) of the contract amount of the submitted audit. The APA shall not consider an invoice received until the APA has completed its detailed review of the audit. After APA review and signature by the Auditor of Public Accounts of each complete audit report submitted, the remaining fifty percent (50%) of the invoice, minus any penalties imposed under Section I.F.3. of this RFP or other charges, shall be processed for payment. Audit work returned for corrections or completion must be done within 15 days of the APA's return to FIRM. If corrections are not performed timely, penalties may be imposed as set out in paragraph 3 below. Every reasonable effort to provide payment to FIRM within 30 working days after receipt of a properly supported invoice, subject to the terms of this paragraph, shall be made in accordance with KRS 45.453.

3. Penalties

At the discretion of the APA, FIRM may be assessed a penalty for each calendar day or portion thereof after the due date of the audit's completion as set out in Section I.E. of this RFP that the Audit Reports called for in Section III.D. have not been delivered to the APA in accordance with Sections III.D. and E., or that the audit remains inaccurate or incomplete and, therefore, not timely submitted.

Penalties may be calculated for <u>each day</u> after the audit due date as follows:

Percentage of Incomplete Audits X Total Contract Amount X 2% = Amount of Penalty Assessed Per Day.

Example: Calculation of penalty for the first day after due date as stated in contract:

Total Contract Amount	=	*$20,000*
Number of Audits Contracted	=	*2*
Number not Completed by due date Incomplete Audits)	=	*1 (1/2 = 50% of*
$20,000 X 50% X 2%	=	*$200 per day penalty*

Penalties may be calculated daily for each calendar day after the audit's due date that any audit remains incomplete, inaccurate, or not delivered. Total penalties assessed shall not exceed the Total Contract Amount.

G. Inquiries

Contact with agents of the Commonwealth for information concerning proposal procedures shall be limited to APA or her appointed representative. All technical inquiries about this solicitation must be made in writing to:

Tim Gutman
Office of Financial Audits
Auditor of Public Accounts
209 St. Clair Street
Frankfort, Kentucky 40601-1817
Email: Tim.Gutman@auditor.ky.gov

Any verbal representations made or assumed to be made during any oral discussion held between representatives of FIRM and any agent of the Commonwealth are not binding on the Commonwealth.

H. Mandatory Pre-Award Conference

A Pre-Award Conference will be held at **3:00 p.m. EDT on Wednesday, July 8, 2009**, in the Training Room at the Auditor of Public Accounts' office located at 209 St. Clair Street, Frankfort, Kentucky 40601. **Attendance at this Pre-Award Conference is mandatory. Attendance may be either in person or via telephone conference call** by dialing 1-866-227-0675 and entering participant pass code 1582979586#. Questions asked and answers given at the Pre-Award Conference concerning matters not covered in this RFP will be posted on the APA website, www.auditor.ky.gov. If revisions to the RFP result from this meeting or at any other time prior to contract award, the revisions shall be provided to all FIRM(s) attending the Pre-Award Conference and will be posted to the APA website.

At its discretion, the APA will meet with representatives of the FIRM awarded certain audit contracts, if any, after award and prior to fieldwork beginning, to discuss the audit comments in the auditee's last three years' audits; and the APA, at its discretion, will attend the FIRM's entrance and exit conferences with the auditee(s).

I. Verification of Information

APA may request documentation from FIRM of any information provided in its proposals.

Note: One item of information that is required to be submitted with each technical proposal, but which should not be a part of the proposal itself, is the Campaign Finance Law Affidavit required by KRS 45A.110 and 45A.115. A link to the blank Affidavit form may be found at http://www.auditor.ky.gov/Public/RFP/RFP.asp. This Affidavit must be completed, notarized, and submitted in hardcopy (facsimile or emailed .pdf file is acceptable) with each technical proposal tendered to the APA under this RFP.

J. Prime FIRM Responsibility

Proposals from a consortium of FIRMS shall be accepted. Information requested in Section V must be submitted for each member or subcontractor of the consortium. A prime FIRM shall be designated in the proposal. A prime FIRM is solely responsible for fulfillment of its contract with APA.

APA reserves the right to reject FIRM'S use of any subcontractor. APA may permit FIRM to substitute a different subcontractor in case of such rejection. During the term of the contract, no subcontractor shall be used without the prior written approval of APA. Failure to notify APA of the use of a subcontractor in time to secure APA approval may result in termination for default.

K. Representation Letter

The proposal shall include a representation letter stating that the audit FIRM is in compliance with auditing standards generally accepted in the United States of America and the provisions of Government Auditing Standards, issued by the United States General Accounting Office, concerning continuing education requirements, independence, and peer review.

L. Cost of Preparing Proposal

Costs for developing the proposal are solely the responsibility of FIRM. APA shall provide no reimbursement for such costs. Any costs associated with any oral presentations to APA shall be the responsibility of FIRM and shall in no way be billable to APA.

M. Partial Performance

In the event FIRM fails to comply with the provisions of the contract to the satisfaction of the APA, payment of the contract shall be withheld and penalties may be applied as reflected in Section I.F.3., until such time as the contract terms have been satisfied.

N. Cancellation

APA shall have the right to terminate and cancel any agreement executed as a result of this solicitation at any time not to exceed thirty (30) days' written notice served on FIRM by registered or certified mail. In the event of termination, all documents, data, studies, and reports prepared for APA under the contract shall become the property of the APA.

Section II

Local Governmental Units - Background and County Audit Groups

A. Background

FISCAL COURTS

The county fiscal court is a county's governing and managing body, and consists of a county judge/executive and other members of the fiscal court (referred to variously as magistrates, justices of the peace, or commissioners). Officers employed by the fiscal court may include a county treasurer and a county fiscal officer. According to KRS 43.070(1)(a) an audit of a county fiscal court includes an audit of "the funds contained in each county's budget." Component units of a county may include, but may not limited to, a county hospital, and a public properties corporation.

The minutes of the fiscal court are maintained by the county clerk. The books and records of the fiscal court are maintained by the county treasurer and, where applicable, by the county finance officer. The county treasurer prepares an annual financial statement and maintains the fixed asset listing. In many counties, the county road supervisor maintains a listing of the county's infrastructure assets. See KRS Chapters 67 and 68 for additional information on county fiscal courts.

CLERK FEES

The county clerk's office consists of the county clerk, who is the elected official, and one or more deputy clerks and assistants, who are considered county employees of the county clerk's office. The county clerk is responsible for proper maintenance of all records of the clerk's office, including ledgers to record the receipt of funds by the county clerk from various sources, and the disbursement of those funds for various operating expenses.

KRS 67.080(1)(d) states the fiscal court may cause correct accounts and records to be kept of all receipts and disbursements of the public funds of the county. KRS 64.152(1) states in counties containing a population of less than seventy-five thousand, the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by the clerk's office in an official capacity or for official services, and of all expenditures of the clerk's office, including salary compensation of deputies and assistants, and reasonable expenses. KRS 64.152(2) states at the time of filing this statement, the county clerk shall pay to the fiscal court any income of the clerk's office, including income from investments, which exceeds the sum of the clerk's maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants.

SHERIFF FEES AND SHERIFF TAX SETTLEMENTS

The county sheriff's office consists of the sheriff, who is the elected official, and one or more deputies and assistants, who are considered county employees of the county sheriff's office. The sheriff is responsible for proper maintenance of all records of the sheriff's office, including ledgers to record the receipt of funds from various sources, including property taxes, and the disbursement of those funds for various purposes, including operating expenses and payments to taxing districts for property taxes received by the sheriff from taxpayers.

KRS 67.080(1)(d) states the fiscal court may cause correct accounts and records to be kept of all receipts and disbursements of public funds of the county. KRS 134.310(1) *[Repealed effective 1/1/2010]* states the sheriff shall annually settle his accounts for county and district taxes with the fiscal court after making settlement with the Revenue Cabinet. KRS 134.310(4) *[Repealed effective 1/1/2010]* states that on the final settlement, the sheriff shall pay to the county treasurer all money that remains in his hands. KRS 134.310(5) *[Repealed effective 1/1/2010]* states in counties containing a population of less than seventy thousand, the sheriff shall file annually with his final settlement (a) a complete statement of all funds received by the sheriff's office for official services, showing separately the total income received by the sheriff's office for services rendered, exclusive of sheriff's commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and (b) a complete statement of all expenditures of the sheriff's office, including sheriff's salary, compensation of deputies and assistants, and reasonable expenses.

B. <u>County Audit Groups</u>

The seventeen (17) various local governmental units included in this RFP have been placed into sixteen (16) numbered county audit groups, which are listed in Section VIII, County Groups of Local Governmental Audits.

Section III

Statement of Work

A. General Nature of Services Required

As the agent of the APA, FIRM shall perform financial and compliance audits of the various local governmental units for the fiscal periods as described in Section VIII. There are sixteen (16) numbered county audit groups included in this RFP. One technical proposal is required to be submitted for one or more county audit groups. **A separate cost proposal is required to be submitted for each county audit group.** FIRM may submit proposals on more than one county audit group.

If no FIRM submits a technical proposal to audit a specific county audit group, the APA, in the interests of economy and efficiency, reserves the right to negotiate the audit of the specific county audit group with any FIRM submitting a proposal to audit any other county audit group.

B. Audit Standards to be Followed

The audits shall be conducted in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and respective Audit Guides issued by APA.

C. Specific Services to be Performed

1. FIRM shall perform a financial statement audit to determine whether the financial statement(s) of the various local governmental units present fairly the financial position and results of operations in accordance with the applicable basis of accounting.

   The prior year audit reports and audit documentation (working papers) shall be used as a guide for funds and accounts included in each audit. The reports and audit documentation shall be available for review upon request at APA'S office or respective CPA office if prior year audit was performed by other than APA. All funds and accounts included in the prior year report, and any new funds and accounts, shall be audited for the various year ending dates as outlined in Section VIII of this document.

   The following funds/accounts are common to most fiscal court audits:

   General Fund
   Road and Bridge Fund
   Jail Fund
   Local Government Economic Assistance Fund
   E911 Fund
   CDBG (Federal) Fund
   Parks and Recreation Fund

The following funds/accounts are common to most county clerk audits:

General Fund/Fee Account
Payroll Account
Library and Archives Grant Account
Fish and Game Account

The following funds/accounts are common to most county sheriff audits:

General Fund/Fee Account
Payroll Account
COPS Grant Account
Property Tax Account
Unmined Coal Tax Account
Drug Forfeiture Account
Concealed Deadly Weapon Account

D. Reports to be Issued

Reports to be issued include:

County Clerk (Fee)

1. An independent auditor's report expressing an opinion on the financial statement, which includes the statement of receipts, disbursements, and excess fees for the year ended as described in Section VIII. If applicable, the independent auditor's report shall also include comments and recommendations for improvement. Additionally, the following supplemental schedule is required, if applicable: Schedule of Excess of Liabilities over Assets

2. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

County Sheriff (Fee)

3. An independent auditor's report expressing an opinion on the financial statement, which includes the statement of receipts, disbursements, and excess fees for the year ended as described in Section VIII. If applicable, the independent auditor's report shall also include comments and recommendations for improvement. Additionally, the following supplemental schedule is required if applicable: Schedule of Excess of Liabilities over Assets

4. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

County Sheriff (Tax Settlement)

5. An independent auditor's report issuing an opinion on the financial statement, which includes the Sheriff's Settlement for the tax year as described in Section VIII. If applicable, the independent auditor's report shall also include comments and recommendations for improvement. Additionally, the following supplemental schedule is required if applicable: Schedule of Excess of Liabilities over Assets

6. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

Fiscal Court (Fiscal Court)

7. An independent auditor's report expressing an opinion on the financial statements which may include the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of and for the year ended as described in Section VIII. If applicable, the independent auditor's report shall also include comments and recommendations for improvement. Additionally, the following supplemental schedule is required, if applicable: Schedule of Expenditures of Federal Awards.

8. A report on internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with Government Auditing Standards. If applicable, a report on compliance requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. After a contract has been awarded to a FIRM under this RFP, if any, to perform an audit, and the FIRM determines after fieldwork has begun that a federal single audit is required for an auditee that had no single audit in the immediately prior audit year, then the APA, in consultation with the FIRM, will process a contract amendment for the actual additional hours incurred by the FIRM in performing the single audit procedures. The APA will evaluate the number of federal awards, the nature of the expenditures, and any audit findings in determining a reasonable amount of additional reimbursement.

E. Conditions for the Development and Presentation of Reports

1. The reports described in items 1 through 8 shall be presented as prescribed by the respective APA Audit Guide (Fiscal Court, Fee Officials, or Sheriff Tax Settlement) and the current edition of the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units. The reports shall contain all reportable conditions, with those reportable conditions that are considered material weaknesses being appropriately segregated and identified. If other matters are identified during the audit, they shall be included in the exit conference and may be reported to the auditee in a separate management letter.

Reportable conditions presented as part of the reports, as well as other matters conveyed in a separate management letter, shall be well developed and shall consist of the following components to the extent practicable:

- a statement of condition
- the criteria for significant deficiencies
- the cause of the condition
- the effect of the condition
- a recommendation for correction
- management's response and corrective action plan

In addition, if applicable, FIRM shall report on any uncorrected comments reported in the preceding audit. Also, if applicable, FIRM shall report on the status of prior year questioned costs whether resolved with the federal grantor or unresolved. The questioned costs to be reported on shall include all questioned costs from the preceding audit, plus any unresolved questioned costs from prior years.

2. FIRM shall make an immediate, written report to APA of any irregularity or illegal act or indication thereof that comes to its attention during the term of the contract.

3. FIRM shall deliver to APA a copy of draft reports as completed, but no later than the due date as set out in Section I.E. of this RFP. The draft reports shall be contained in a processing folder to be provided by the APA, with the following organized information:

Review Notes	A-1
Draft Audit Report	A-2
Audit Opinion Memorandum	A-3
Legal Representation Letter	A-4
Management Representation Letter	A-5
Level I Review Checklist (Completed)	B-1
APA Independence Statement Signed By CPA and Staff	B-3
Exit Conference	C-1
Supporting Documentation For Report Findings	C-2
Prior Year Report	D-1
Prior Year Exit Conference	D-2

FIRM shall also deliver, in 8½ by 11 inch expandable file folders to be provided by FIRM, completed audit documentation (working papers) with the draft audit reports. (See Section IV A.8)

APA staff shall complete a report review, including audit documentation, and notify FIRM of discrepancies, if any, to be corrected. FIRM shall correct reported discrepancies in a manner and time established by APA. Failure of FIRM to correct reported discrepancies in the manner and time established by APA may result in the imposition of penalties under Section I.F.3. of this RFP, or other damages.

4. Publication of the report letter of transmittal and distribution of final reports shall be the responsibility of APA.

5. Report Formatting Submittal And Specifications: The report shall be prepared using the electronic format to be provided by the APA. This format, which will be provided to the FIRM on CD-ROM disk, will require Microsoft WORD and Microsoft EXCEL 2000. FIRM shall provide an electronic copy of the report in Microsoft WORD and the financial statements in Microsoft EXCEL on a CD-ROM disk. Additional formatting needed includes the FIRM's letterhead and electronic signatures, where required.

6. If the delivery of any reports required by the Section I.E. due dates is delayed, draft copies of the reports shall be furnished to APA by the Section I.E. due dates.

7. FIRM shall provide a draft copy of the audit report to the respective local governmental unit and discuss its contents with representatives of that office to satisfy exit conference requirements. Officials' responses to findings shall be included in the exit conference.

8. APA is responsible for the review of all draft reports and audit documentation. All final reports shall be released under the APA's cover.

Section IV

General Conditions

A. FIRM'S Responsibilities During the Contract Term

1. FIRM shall designate a project manager who shall be the contact with APA. The project manager shall oversee all activities for FIRM. Project manager shall provide an e-mail address, fax number, and phone number for daily contact purposes.

2. FIRM shall be responsible for familiarity with appropriate state laws and regulations and with appropriate audit standards.

3. FIRM shall be responsible for personnel, supplies, and equipment.

4. FIRM shall be responsible for all services offered in FIRM'S proposal whether or not FIRM provides such service.

5. FIRM shall have general professional liability insurance or specific professional liability insurance for this engagement in an amount equal to the contract price and provide APA with proof of said coverage.

6. FIRM shall be responsible for all material errors and omissions in the performance of the contract.

7. FIRM shall notify APA in writing (e-mail or fax is acceptable) when the fieldwork for each audit begins.

8. FIRM shall provide one copy of audit documentation to APA at no additional cost to the APA. This copy shall be in electronic form, paper form, or a combination of both, at APA's option. Originals of paper audit documentation shall be retained by FIRM.

9. FIRM shall be responsible for distributing reports to the APA as stated in Section III.E.

10. FIRM shall communicate no less than monthly with the liaison designated by APA.

11. Any changes or substitutions in audit personnel by FIRM, including subcontractors, from the personnel listed in FIRM's proposal must have the prior, written approval of the APA before the substituted personnel may commence work.

12. Upon completion of fieldwork, FIRM shall conduct a face-to-face exit conference with the official of the respective local governmental unit. Official's responses, if provided by the official, are to be included for all report comments.

13. In the event the APA does not find the FIRM'S draft report or audit documentation acceptable, and returns it to FIRM for further work, the FIRM shall perform the follow-up work within 15 working days, unless otherwise agreed to by the APA.

14. FIRM shall be responsible for including any audits performed under a contract awarded pursuant to this RFP in the list of audits subject to FIRM's peer review.

B. Local Governmental Unit's Responsibilities During the Contract Term

1. The local governmental unit shall prepare its own year-end financial reports and shall have a copy of these reports available for FIRM'S review.

2. The local governmental unit shall make all files and records accessible to FIRM, on site.

3. The local governmental unit may discuss the draft audit report with FIRM and shall provide FIRM a written response to the draft report within one week of receiving it.

4. The local governmental unit shall provide assistance to FIRM, namely, gathering supporting documentation from the files and preparing schedules.

5. The local governmental unit shall make appropriate personnel available for interviews and information-gathering purposes.

C. APA'S Responsibilities During the Contract Term

1. APA shall designate a liaison to coordinate activities among APA, FIRM, and local governmental units.

2. APA shall provide (a) the electronic format to be used in preparing the audit reports, and (b) processing folders for the audits.

3. APA shall be solely responsible for releasing and distributing all final reports.

4. APA shall review and comment on FIRM'S audit documentation and draft audit reports. APA shall return the work for corrective action when necessary.

5. APA shall review the final audit reports and provide payment to the contractor in accordance with Section I.

6. APA shall be responsible for evaluating FIRM'S performance under the contract.

D. Audit Documentation

All audit documentation (working papers) and reports must be retained, at FIRM'S expense, for a period of six (6) years unless FIRM is notified in writing by APA of the need to extend the retention period. FIRM shall be required to make audit documentation available, upon request, to the designated representatives of APA.

In addition, FIRM shall respond to all inquiries of successive auditors.

E. Modifications to Statement of Work

Any modifications to the statement of work shall be thoroughly discussed with FIRM and agreed to in writing by FIRM and APA prior to the implementation of any modification or change. If necessary, the contract amount may be amended to reflect such modification or change.

Section V

Technical Proposal Format

A. Responsiveness

In order to be considered, proposals submitted by FIRM must be completely responsive to this RFP. All conditions printed on the RFP are hereby made a part of the conditions under which the proposal is submitted and shall be incorporated into any contract on this project. Further, the contents of a proposal shall become part of any contract resulting from that proposal. Failure of FIRM to accept these obligations may result in cancellation of the selection.

B. Preparation Standards

Proposals shall be prepared simply and economically, providing a straightforward, concise description of FIRM'S capabilities to satisfy the requirements of the RFP. Elaborate bindings, colored displays, and promotional materials are not desired. Emphasis shall be on completeness and clarity of content. Repetition of the terms and conditions of this RFP, without additional explanation, shall not be considered sufficiently responsive.

C. Proposal as Single Document

Each copy of the technical proposal shall be included in a single volume where practical. All documentation submitted with the technical proposal shall be included in that single volume.

D. Technical Proposal

The technical proposal shall respond completely to the requirements stated in this section. Each technical proposal shall identify the county audit group or groups for which FIRM is submitting a proposal. In evaluating a FIRM's proposal, the APA considers the FIRM's capacity to perform the audits identified in the FIRM's bid (proposal). The FIRM should only include staffing who are available to work on the engagement. The FIRM will not be penalized for bidding on multiple groups for consideration, if the FIRM includes a clear statement that it reserves the right to decline an award based on the FIRM's resources. The FIRM will be evaluated based on adequate resources to perform work in a single group. In order to permit effective comparisons of competing proposals, the following format shall be followed as closely as possible:

1. Title Page

   Specify RFP group(s) by group number and by county (see Section VIII), name of FIRM, local address, telephone number, fax number, email address (if any), name of contact person, and date.

2. Table of Contents

Include a clear identification of the material by section and page number.

3. Transmittal Letter

The transmittal letter shall be in the form of a standard business letter and shall be signed by an individual authorized to legally bind FIRM. It shall include:

a) A statement indicating FIRM is a corporation or other legal entity.

b) A statement that no attempt has been made or shall be made by FIRM to induce any other person or FIRM to submit or not to submit a proposal.

c) A statement of Affirmative Action that FIRM does not discriminate in its employment practices because of race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin, or persons with disabilities. In addition, FIRM shall provide a statement of compliance with the requirements of Title VI of the Civil Rights Act of 1964.

d) A statement that FIRM is a properly licensed certified public accountant.

e) A statement that FIRM meets the independence, continuing education, and peer review standards of the Government Auditing Standards.

f) A statement that FIRM has reviewed all relationships and has determined that it meets the objectivity and independence standards of ET sections 55 and 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants.

g) A listing of FIRM'S professional relationships involving the RFP county group or any of its component units for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interests in providing assistance to APA. Prior to contract execution, FIRM may be asked to disclose further information involving relationships with major vendors of the Commonwealth or its components.

h) A description of FIRM's quality control procedures.

i) A statement of whether FIRM'S most recent peer review included a review of specific government engagements, together with a copy of said peer review report, including letter of comments, if applicable.

j) A statement identifying all addenda to this RFP issued by APA and received by FIRM. If no addenda have been received, a statement to that effect shall be included.

k) A statement that no cost or pricing information has been included in the technical proposal.

l) A statement that FIRM certifies that in connection with this procurement: (1) the preliminary cost proposal has been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such preliminary cost proposal with any other FIRM or with any competitor; (2) unless otherwise required by law, the preliminary cost proposal has not been knowingly disclosed by FIRM prior to award, directly or indirectly, to any other FIRM or to any competitor.

m) A statement that the person signing this proposal certifies that he/she is the person in FIRM'S organization responsible for, or authorized to make, decisions as to the prices quoted and that he/she has not participated, and shall not participate, in any action contrary to l) (1) or l) (2) of the above paragraph.

n) A statement that FIRM'S proposal shall remain valid until three months after the closing date of the receipt of the proposals.

o) A statement disclosing whether the Kentucky Board of Accountancy or any other state's CPA licensing body has taken disciplinary action against the FIRM (or any CPA employed or retained by FIRM who will work on this engagement) within the past five (5) calendar years, and if so, a detailed explanation of the circumstances of the disciplinary action taken.

p) A statement disclosing those audits currently being performed by FIRM under contract with the APA, and the audits' completion status, with fixed, projected completion dates for these audits.*

*NOTE: Evaluation of FIRM under this RFP will include, as part of the "APA Evaluation of FIRM" criterion, the number of FIRM's audits, if any, currently under contract with the APA that remain due, late, or incomplete as of the date the proposal under this RFP is due.

If the proposal deviates from the detailed specifications and requirements of this RFP, the transmittal letter shall identify and explain these deviations. APA reserves the right to reject any proposal containing such deviations or to require modifications before acceptance.

4. FIRM Background

The details of FIRM background shall cover:

- Date established;
- Location of clientele - local, regional, national, or international; and
- Total number of professional staff.

5. Local Office Background

The details of the local office background shall cover:

- Location of FIRM office that will supply staff;

- Number of partners, managers, supervisors, seniors, and other professional staff employed in FIRM office that will supply staff; and
- Biographical sketch of professional staff, including any subcontractors, who will be assigned to the engagement. Resumes of assigned professional staff detailing professional experience shall be submitted with FIRM's technical proposal.

6. Experience

Describe FIRM-wide experience during 2006, 2007, and 2008 in working on:

- Audits involving local governmental units

Describe experience of professionals mentioned in Section V.D.5. in working on:

- Audits involving local governmental units

For each audit listed, give the year, engagement partner, total hours, and name and telephone number of the primary client contact. If the primary client contact is a former elected official, provide a method to contact the former official, if possible.

Any information confidentially disclosed to the APA by FIRM in its proposal that is generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the FIRM, must be clearly marked in the proposal and identified as confidential or proprietary information, or both. The Secretary of the Finance and Administration Cabinet must agree that any information in FIRM's proposal identified as confidential or proprietary meets the provisions of KRS 61.878(1)(c) prior to the execution of any audit contract under this RFP.

Section VI

Cost Proposal

FIRM shall deliver two copies of a "not to exceed" preliminary cost proposal in a clearly marked, sealed envelope, separate from the technical proposal, to Cindy James, Assistant Auditor of Public Accounts, Auditor of Public Accounts, 209 St. Clair Street, Frankfort, Kentucky 40601-1817 **by 4:30 p.m. EDT on Wednesday, July 15, 2009.**

Cost proposals shall be submitted as follows:

- Submit a separate cost proposal for each county audit group FIRM proposes to audit.
- Provide breakdown of proposed audit costs based on estimated hours to complete for each individual audit within each county audit group FIRM proposes to audit.
- Include only one county audit group cost proposal per envelope.
- Envelopes must be clearly marked as to:
  Group's identity by county and group number,
  FIRM name.
- Cost proposals must be signed by individual submitting technical proposal.
- All cost proposal envelopes submitted by the same FIRM may be mailed/delivered under one cover.

The preliminary cost proposal shall be for the services requested in Section III.A. through III.E., and shall contain the name of FIRM and classification, time, and rate information as shown in the following format:

Cost Proposal for _____ County Audit Group, No. _____

Audit	Audit Hours	Blended Hourly Rate	Cost
Fiscal Court 08 Fiscal Court 09			
Total Audit Hours		**Total Costs**	

The "not to exceed" cost proposal shall be binding on FIRM upon execution of a contract with APA. The same person signing the transmittal letter in the technical proposal shall sign the cost proposal. Final contract price shall be determined in accordance with KRS 45A.695.

Section VII

Technical Proposal Evaluation

APA shall evaluate all technical proposals in accordance with KRS 45A.695. Each proposal shall be evaluated by members of an Evaluation Committee as follows:

Responsiveness to RFP		5 points
Experience		
Local Government Audit Experience of FIRM	5	
FIRM's Audit Personnel Experience	5	
FIRM's Client Evaluations	15	
APA Evaluation of Firm	15	
FIRM's Capacity and Resources	5	
		45 points
		50 points total

Each Evaluation Committee member will individually evaluate the Technical Proposal and award points accordingly. The technical scores established by each Committee member then will be combined. The FIRM with the highest combined technical score will be ranked number 1 for the Technical component and the FIRM with the next highest technical score will be ranked number 2, and so forth. Negotiations shall begin with FIRM receiving the highest combined technical score in accordance with KRS 45A.695.

A copy of the evaluation form to be used shall be distributed at the Pre-Award Conference to be held at the office of Auditor of Public Accounts, 209 St. Clair Street, Frankfort, Kentucky 40601-1817.

Section VIII

County Groups of Local Government Audits

The following hours are the APA's estimate of audit hours needed to perform the upcoming fiscal court audits, based on APA experience.

Western Kentucky		**Estimated Hours**
Group 1	FULTON	
	FISCAL COURT 06/30/08	450
	FISCAL COURT 06/30/09	450
		900
Group 2	HART - SINGLE AUDIT	
	FISCAL COURT 06/30/09	400
Group 3	HOPKINS - SINGLE AUDIT	
	FISCAL COURT 06/30/09	450
Group 4	OHIO - SINGLE AUDIT	
	FISCAL COURT 06/30/09	450
Group 5	SIMPSON	
	FISCAL COURT 06/30/09	300

Central Kentucky		**Estimated Hours**
Group 6	BOYLE	
	FISCAL COURT 06/30/09	375
Group 7	GALLATIN	
	FISCAL COURT 06/30/09	300
Group 8	OLDHAM - SINGLE AUDIT	
	FISCAL COURT 06/30/09	600
Group 9	SPENCER - SINGLE AUDIT	
	FISCAL COURT 06/30/09	325

Northeast Kentucky		**Estimated Hours**
Group 10	BOYD	
	FISCAL COURT 06/30/09	750
Group 11	BRACKEN	
	FISCAL COURT 06/30/09	261
Group 12	CARTER	

FISCAL COURT 06/30/09	460

Northeast Kentucky (Continued)	**Estimated Hours**
Group 13 FLOYD	
FISCAL COURT 06/30/09	625
Group 14 JOHNSON	
FISCAL COURT 06/30/09	650
Group 15 OWSLEY	
FISCAL COURT 06/30/09	445
Group 16 PIKE - SINGLE AUDIT	
FISCAL COURT 06/30/09	750