



CITY OF KENEDY

REQUEST FOR QUALIFICATIONS PROFESSIONAL AUDITING SERVICES



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I. INTRODUCTION

A. General Information

The City of Kenedy is soliciting Requests for Qualifications (RFQ) from qualified Certified Public Accounting firms to audit its financial statements for a three-year period beginning with the year ending September 30, 2020. These audits shall be performed in accordance with the following requirements:

- Generally accepted auditing standards;
- Standards set forth for financial audits in the most recent General Accounting Office's (GAO) *Government Auditing Standards*;
- Provisions of the Federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996;
- Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*; and
- Standards set forth in the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing and Financial Reporting, Using the Governmental Accounting Standards Board, GASB 34 Model* and standards for the GFOA's Certificate for Achievement for Excellence in Financial Reporting program.

There is no expressed or implied obligation for the City of Kenedy to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Throughout this document, Firm, Team, Vendor, Respondent, Proposer, Service Provider, and Supplier may be used interchangeably and references the



organization submitting a response to this Request for Qualifications.

For consideration, in a sealed envelope or container, please submit one (1) original and three (3) copies of your response to William Linn, City Manager, 303 W. Main Street, Kenedy, Texas 78119 by **2:00 p.m. on October 30, 2020**. Late submissions will not be considered and will be returned unopened. The City of Kenedy reserves the right to reject any or all submissions and to waive any informality.

Respondents shall not include any prices nor fee structure with their submission. Failure to comply will result in automatic disqualification.

Submissions will be evaluated by an Audit Selection Committee selected by the City Manager of the City of Kenedy.

During the evaluation process, the Audit Selection Committee and the City of Kenedy reserve the right, where it may serve the City's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the City Council or the Audit Selection Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

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

B. Term of Engagement

A three-year contract is contemplated, subject to an annual review, the satisfactory negotiation of terms (including a price acceptable to both the City of Kenedy and the selected firm), and the annual availability of an appropriation.



II. NATURE OF SERVICES REQUIRED

A. General

The City of Kenedy is soliciting the services of qualified firms of Certified Public Accountants to audit its financial statements for the fiscal year ending September 30, 2020, with the option to audit the City's financial statements for each of the two (2) subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this Request for Qualifications.

B. Scope of Work to be Performed

The City of Kenedy desires the auditor to express an opinion on the fair presentation of its general-purpose financial statements in conformity with generally accepted accounting principles.

The City of Kenedy also desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit or offer an opinion on the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

C. Auditing Standards to Be Followed

To meet the requirements of this Request for Qualifications, the audit shall be performed in accordance with:

- Generally accepted auditing standards;



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- Standards set forth for financial audits in the most recent General Accounting Office's (GAO) *Government Auditing Standards*;
 - Provisions of the federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996.
 - Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*; and
 - Standards set forth in the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing and Financial Reporting Using the GASB 34 Model* and standards for the GFOA's Certificate for Achievement for Excellence in Financial Reporting program.

D. Reports to be Issued

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

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditors' understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.

If it is determined that the City of Kenedy must follow the requirements of the Single Audit Act, then the following additional reports will be required:

4. An "in-relation-to" report on the schedule of federal financial assistance.



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5. A report on the internal control structure used in administering federal financial assistance programs (this report may be combined with report number 2).
 6. A report on compliance with specific requirements applicable to major federal financial assistance programs.
 7. A report on compliance with specific requirements applicable to non-major federal financial assistance programs (this report may be combined with report number 6).
 8. A report on compliance with general requirements for both major and non-major federal financial assistance programs.

In the required report on internal controls, the auditor shall communicate 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 organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

The report on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.



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 City Manager of the City of Kenedy.

Reporting to city management. Auditors shall assure themselves that the City Manager is informed of each of the following in written format :

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

E. Special Considerations

1. If necessary, the schedule of federal financial assistance and related auditor's report, as well as the reports on the internal controls and compliance are not to be included in the comprehensive annual financial report, but are to be issued separately.



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2. The City is required to follow the GASB 34 Model of Financial Reporting.
 3. The auditor will be required to make a to the Council Members summarizing the work performed and any relevant findings during the audit once the audit is complete.

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 City of Kenedy of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- City of Kenedy
- U.S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by the City of Kenedy as part of an audit quality review process
- Auditors of entities of which the City of Kenedy is a sub-recipient of grant funds

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



III. DESCRIPTION OF THE GOVERNMENT

A. Names and Telephone Numbers of Contact Persons/Organizational Chart/Locations of Offices

The auditor's principal contact with the City of Kenedy will be William Linn, City Manager, or a designated representative, who will coordinate assistance to be provided by the City of Kenedy to the auditor.

B. Background Information

The City of Kenedy serves an area of 3.67 square miles with an estimated population of 3,448. The City of Kenedy was incorporated in 1910 and is a General Law Type A form of government. The City Council is comprised of a Mayor (non-voting) and five members. The City Manager is appointed by the Council and as chief administrative officer is responsible for all municipal daily operations including, appointing and supervising all other City employees. The City of Kenedy fiscal year begins on October 1 and ends on September 30.

The City of Kenedy services provided under governmental functions include police and fire protection, planning and zoning, code enforcement, economic development, street maintenance, parks and recreation, general administrative services, and library services. In addition, an Enterprise Fund accounts for water and sewer services, with user charges set by the City Council to ensure adequate coverage for operations.

The City has one component unit which is a 4B Economic Development Corporation.

For the fiscal year ending September 30, 2020 the budget provides for approximately 53 full-time and part-time employees.

The General Fund is organized into eleven (11) departments. The accounting and



financial reporting functions of the City of Kenedy are centralized.

C. Fund Structure

The City of Kenedy uses the following fund types and account groups in its financial reporting:

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
General fund	1	1
Special revenue funds	3	3
Debt service funds	1	1
Capital projects funds	4	4
Enterprise funds	1	1
Internal service funds	0	N/A
Pension trust funds	0	N/A
Investment trust funds	0	N/A
Private Purpose trust funds	0	N/A
Agency funds	0	N/A

D. Budgetary Basis of Accounting

The City of Kenedy prepares its budget on a basis consistent with generally accepted accounting principles.

E. Federal and State Financial Assistance

During the current fiscal year to be audited, the City of Kenedy received the following financial assistance:

- The City is actively applying for various grants.

F. Pension Plans



The City of Kenedy provides pension benefits for all full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System, an agent, multiple-employer

public employee retirement system. Actuarial services for these plans are provided by the Texas Municipal Retirement System.

G. Component Units

The financial reporting entity includes all the funds and account groups of the primary government (i.e., the City of Kenedy as legally defined), as well as all of its component units. In determining which potential component units to include in the financial reporting entity, the City has applied the criteria set forth in the GASB Statement No. 14. Accordingly, there is one (1) component unit, a 4B Economic Development Corporation to be reported for the City of Kenedy.

H. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports may do so through requesting a copy from the City Secretary at: amanda@cityofkenedy.org.

IV. TIME REQUIREMENTS

A. Request for Qualifications Calendar

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

RFQ Issued	October 8, 2020
Due date for RFQ's	October 30, 2020, 2:00 p.m.



B. Date Audit May Commence

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

1. Interim Work - The auditor may commence interim work on the effective date of the contract.
2. Field work to commence within thirty (30) days after the effective date of the contract.
3. Draft Reports - The auditor shall have drafts of the audit report(s) and recommendations to management available for review no later than thirty (30) days after completion of field work.
4. Council Presentation - The auditors will make a detailed presentation of the Comprehensive Annual Financial Report at the first in February 2021 which is the second Tuesday of the month. The presentation will cover significant matters of the financial operations. The auditor shall be prepared to discuss any material findings reported in the management letter and answer any questions from the City Council.

The City of Kenedy personnel will be available to meet with the new audit team immediately for planning purposes.

A similar schedule will be developed for audits of future fiscal years if the City exercises its option for additional audits.

C. Entrance Conferences, Progress Reporting, and Exit Conferences

The selected auditor will schedule an entrance conference, periodic progress reports and an exit conference with the City Manager.



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

A. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanation. The preparation of confirmations, routine letters and memorandums will be the responsibility of the auditor.

B. Information and Schedules to be Prepared by the Staff of the City of Kenedy

During the entrance conference, the auditor shall provide a list of information and schedules that the auditor would like the staff of the City of Kenedy to prepare.

The City Manager and the auditor will mutually agree on the information and schedules to be completed by city staff. The City is committed to prepare as much information and as many schedules as time may permit.

C. Work Area, Telephones, Photocopying, and Facsimile Machines

The City of Kenedy will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to telephones, photocopying equipment, and facsimile machines subject to the following restrictions:

Long distance charges will be absorbed by the auditing firm.

D. Report Preparation

Report preparation and editing shall be the responsibility of the auditor.



VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the Request for Qualifications shall be submitted via email with “RFQ for Auditing Services” in the subject line to Amanda Hines, City Secretary at amanda@cityofkenedy.org. Responses to inquiries will be provided by the “Reply All” feature. Any inquiry and subsequent response may be posted on the City of Kenedy’s website.

2. Submission of Qualifications

The following material is required to be received by 2:00 p.m. on October 30, 2020:

- a. One (1) original and three (3) copies to include the following:
 - i. *Title Page* - Title page showing the Request for Qualifications subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.
 - ii. *Table of Contents*
 - iii. *Transmittal Letter* - A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, 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 stated.
 - iv. *Detailed RFQ* - The detailed RFQ shall follow the order set forth in Section VI B of this request.



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- v. Executed copies of *Proposer Guarantees* and *Proposer Warranties*, attached to this request (Appendix B and Appendix C).
 - b. Submit your RFQ in a **sealed** envelope or container to:

William Linn, City Manager
City of Kenedy
303 W. Main St.
Kenedy, TX 78119

B. Technical Submissions

1. General Requirements

The purpose of the Technical Submissions is to demonstrate the qualifications, competence, and capacity of the firm seeking to undertake an independent audit of the City of Kenedy in conformity with the requirements of this Request for Qualifications. As such, the substance of the RFQ will carry more weight than their form or manner of presentation. The Technical Submission should demonstrate the qualifications of the firm and of the specific staff to be assigned to this engagement. It should also specify an audit approach that will meet the Request for Qualifications requirements.

The Technical Submission shall address all the points outlined in the Request for Qualifications. The RFQ should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFQ.



While additional data may be presented, items No. 2 through No. 8 below must be included. They represent the criteria against which submissions will be evaluated.

2. Independence

The firm shall provide an affirmative statement that is independent of the City of Kenedy as defined by generally accepted auditing standards and the most recent U.S. General Accounting Office's *Government Auditing Standards*.

3. License to Practice in the State of Texas

An affirmative statement shall be included that the firm and all assigned key professional staff are properly licensed to practice in the State of Texas.

4. Firm Qualifications and Experience

The proposer shall 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 professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium shall be separately identified and the firm that is to serve as the principal auditor shall be noted, if applicable.

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 provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory, and Staff Qualifications and Experience

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 the State of Texas. Copies of the most recent license renewal notices (two years) shall be included for the management and supervisory staff to be assigned to this assignment, including the corresponding certificate numbers of such personnel. The firm shall also 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 shall also 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. Copies of the most recent license renewal notices (two years) shall be included for the specific staff to be assigned to this engagement.

The GAO's *Government Auditing Standards* defines adequate continuing professional education as "every 2 years, at least 80 hours, of continuing education and training," with at least 24 of the 80 hours in "subjects



directly related to the government environment and to government auditing. Personal data, such as home address, social security number, and phone numbers may be blanked out to protect the privacy of the individuals.

In addition, indicate how the quality of staff over the term of the agreement will 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 City of Kenedy. However, in either case, the City of Kenedy retains the right to approve or reject replacements based on the criteria in the preceding paragraphs.

Consultants and firm specialists mentioned in response to this Request for Qualifications can only be changed with the express prior written permission of the City of Kenedy, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer if 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 responsibility for the audit, list up to five of the most significant engagements performed in the last five years that are like the engagement described in this request. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.



7. Specific Audit Approach

The proposal shall set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request. In developing the work plan, reference shall be made to such sources of information as the City of Kenedy's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers shall provide the following information on their audit approach:

- a. Proposed segmentation of the engagement (such as planning, cash and investments, revenue, compliance-federal programs, etc.).
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. The extent to which statistical sampling is to be used in the engagement, including sampling methods, sizes and areas of use.
- d. Methods by which materiality will be determined.
- e. Type of audit program used (tailor made, standard, etc.).
- f. Type and extent of analytical procedures to be used in the engagement.
- g. Approach to be taken to gain and document an understanding of the City of Kenedy's internal control structure.
- h. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- i. Extent of use of computer audit tools in the engagement.



8. Identification of Anticipated Potential Audit Problems

The RFQ shall identify and describe any anticipated potential audit problems, the firm's approach to resolving this problem and any special assistance that will be requested from the City of Kenedy.

The City of Kenedy will not be responsible for expenses incurred in preparing and submitting the RFQ.

VII. EVALUATION PROCEDURES

A. Audit Selection Committee

RFQ's submitted will be evaluated by an Audit Selection Committee selected by the City Manager of the City of Kenedy.

B. Review of RFQ

The Audit Selection Committee will use a 100-point scale to rank participants.

The City of Kenedy reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

RFQs must meet the Mandatory Elements before proceeding to the Technical Quality evaluation. The following represent the principal selection criteria which will be considered during the evaluation process.



1. Mandatory Elements

- a. The firm must be a qualified and experienced public accounting firm whose principal officers are independent CPA.
- b. The firm must have no conflict of interest with the City of Kenedy.
- c. The firm must adhere to the instructions in this RFQ on preparation and submission.
- d. The firm must submit a copy of its last external quality control review report.
- e. The audit firm's professional personnel must have received adequate continuing education within the preceding two (2) years to meet the Government Audit Standards.
- f. The firm must have performed five or more audits of Texas municipalities in the past two years.

2. Expertise and Experience (100 Points)

- (1) Experience relating to similar engagements with other governmental entities with similar needs. (35 Points)
- (2) 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. (35 Points)
- (3) References related to similar engagements



with other governmental entities with similar needs. (30 Points)

D. Oral Presentations

During the evaluation process, the Audit Selection Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Audit Selection Committee may have about a firm's proposal. Not all firms may be asked to make such oral presentations, nor may any oral presentation be requested.

E. Final Selection

The City of Kenedy City Council will select a firm based upon the recommendation of the Audit Selection Committee.

F. Right to Reject Submissions

Submission of RFQ indicates acceptance by the firm of the conditions contained in this RFQ unless clearly and specifically noted in the RFQ submitted and confirmed in the contract between the City of Kenedy and the firm selected.

The City of Kenedy reserves the right without prejudice to reject any or all RFQs.



APPENDIX "A"

PROPOSER GUARANTEES

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

Signature of Official:

Name (typed):

Title:

Firm:

Date:



APPENDIX "B"

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Texas laws with respect to foreign (non-state of Texas) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.

Name of Insurer: _____

Amount of Coverage: _____

- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Kenedy.
- D. Proposer warrants that all information provided in response to this request is true and accurate.

Signature of Official:

Name (typed):

Title:

Firm:

Date:



APPENDIX "C"

CONFLICT OF INTEREST QUESTIONNAIRE

Conflict of Interest Questionnaire may be found at:
<https://www.ethics.state.tx.us/forms/CIQ.pdf>
(file & submit with RFQ)



APPENDIX "D"

FORM 1295 – TEXAS ETHIC COMMISSION

Form 1295 - Texas Ethics Commission may be found at:
<https://www.ethics.state.tx.us/forms/1295.pdf>
(file online & submit with RFQ)