

CITY OF MANCHESTER, TN

REQUEST FOR QUALIFICATIONS

MUNICIPAL AUDITING SERVICES

The City reserves the right to reject any or all Proposals regarding the quote, to waive irregularities and/or informalities in any Proposal, and to make an award in any manner, consistent with law, deemed in the best interest of the City.

Projected Timeline:

RFQ Release	February 15, 2023
Proposals Due	April 6, 2023 at 2:00 p.m. CST
Finance Committee	April 11, 2023 at 4:00 p.m. CST
Board of Mayor & Aldermen work session	May 2, 2023 at 5:30 p.m. CST
Board of Mayor & Aldermen voting meeting	May 2, 2023 at 6:30 p.m. CST

TABLE OF CONTENTS

I.	Description of the City of Manchester and Software Accounting System ...	2
II.	General Instructions for Submission of Proposal	3
III.	Audit Objectives and Scope of Services	5
IV.	Evaluation Criteria	7
V.	Proposal Format/Requirements	7
	Appendix A.....	9

CITY OF MANCHESTER

REQUEST FOR QUALIFICATIONS - MUNICIPAL AUDITING SERVICES

The City of Manchester (“City”) invites proposals from qualified certified public accountants (hereinafter called “Auditor”) with sufficient governmental and auditing experience to perform a complete financial and compliance audit of the City in accordance with the laws and requirements of the State of Tennessee and the specifications outlined in this Request for Qualifications (RFQ).

I. DESCRIPTION OF THE CITY AND APPLICABLE ACCOUNTING SYSTEMS

The City of Manchester is located in Coffee County. The City serves an area of 15 square miles with a population of approximately 12,213. The City provides a full range of municipal services to its citizens that includes finance and administration, planning and codes, public works, water and sewer, police, fire, and parks and recreation and schools.

The City of Manchester has a Mayor – Aldermanic form of government consisting of a Mayor and six Aldermen, all elected to four-year terms. The governing body is commonly referred to as the Board of Mayor and Aldermen (BOMA). A biennial general election is held in August of even numbered years. The Mayor and four aldermen are elected in one even year with the other four aldermen elected in the subsequent even year.

The budget for Fiscal Year 2023 for all funds is \$36 million. The City has a total payroll of about \$11 million (\$8.1 million in compensation and \$2.9 million in benefits, with approximately 145 authorized full-time and 100 part-time employees).

The City of Manchester uses the following fund types and accounting groups in its financial reporting:

The General Fund accounts for all financial resources applicable to the general operations of City government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues. Departments within the General Fund include:

BOMA	Finance	Information Systems	Planning & Zoning
General Govt & Buildings	Economic Development	Conference Center	Police
Fire	Public Works	City Court	

The General Purpose School Fund is used to account for the primary activities of the Manchester City School System. The school system has a total payroll of about \$15.3 million (\$11.5 million in compensation and \$3.8 million in benefits, with approximately 300 employees).

The Debt Service Fund is used for the accumulation of resources for the payment of interest and principal on long-term general obligation debt.

The Water & Sewer Fund is the city’s only Enterprise Fund and accounts for the operation of the city’s water and sewer services.

The City also has Special Revenue and Capital Project Funds as follows:

122 – Recreation	130 – Tourism	250 – Capital Equipment Replacement
260 – Sanitation	619 – Drug	School Federal Projects
Central Cafeteria	Education Capital Projects	

The City of Manchester uses Incode version 9 by Tyler Technologies General Ledger, Accounts Payable, Accounts Receivable, Purchase Orders, Human Resources, Payroll, Cash Receipting, Utility Billing, Property Tax, Court, Fixed Assets, Building Projects and Business Licenses modules.

By the end of August, the City will have closed and balanced all accounts and prepared preliminary computer-generated yearend financial statements for all funds for examination by the Auditor. Request for sampling of disbursements, etc. will be generated by the Auditor. Accounting records are located at City Hall, 200 W. Fort Street in the Finance Department.

Assistance Available from the City

- 1) Final trial balance
- 2) Adopted and final amended budget
- 3) Schedule of insurance
- 4) Schedule of fixed assets with acquisitions and disposals
- 5) Schedule of Accounts Payable
- 6) Copies of payroll tax forms
- 7) Copies of all grants and contracts
- 8) Schedule of all work in progress together with capitalized interest including all completed work
- 9) Accrued leave schedules

The City has several large grants in process and reasonably expects to spend over \$1,700,000 or more in federal and state awards annually from FY 2022-23 through FY 2024-25, primarily for improvements to the water and sewer infrastructure. Additionally, the City expects to apply for and receive several other grants, but the types and sources of those potential grants are currently unknown.

Appendix A contains additional information on relevant volumes, frequencies and amounts. A copy of the budgets and audits from the prior year are available on the City of Manchester website at <https://www.cityofmanchestertn.com/69/Documents-Resources.com> . If additional information is required prior to submitting a proposal, inquiries should be directed to Lisa Myers, Finance Director.

II. GENERAL INSTRUCTIONS FOR SUBMISSION OF PROPOSALS

A. All proposals must be submitted not later than 2:00 p.m. April 6, 2023, to:

City of Manchester
Attn: Lisa Myers, Finance Director
200 W. Fort Street
Manchester, TN 37355

The outer envelope in which proposals are tendered should be marked AUDIT PROPOSAL. Faxed or e-mailed proposals will not be accepted.

- B. Proposals shall be submitted in two parts. The first part or submission will be the technical portion as further described herein. Proposer will need to submit three copies of the technical portion in a sealed envelope clearly marked as "Technical Proposal-Audit Services".
- C. The second part of Proposer's submission shall be the proposed costs which shall be in a separately-sealed envelope from the technical portion and separately labeled as "Cost Proposal-Audit Services". Three copies of the cost proposal shall be required.
- D. The proposals must be signed by an individual with the authority to bind the firm.
- E. Nothing herein is intended to exclude any responsible vendor, his product or service or in any way restrain or restrict competition. On the contrary, all responsible vendors are encouraged to offer a proposal. The City of Manchester is compliant with Title VI of the 1964 Civil Rights Act. Specifically, Title VI provides that "no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance" (42 U.S.C. Section 2000d). Boycott of Israel. The Contractor certifies that it is not currently engaged in, and will not for the duration of the contract engage in, a boycott of Israel as defined by Tenn. Code Ann. § 12-4-119. This provision shall not apply to contracts with a total value of less than two hundred fifty thousand dollars (\$250,000) or to contractors with less than ten (10) employees.
- F. The selection of the external Auditor will be based upon responses received to the criteria included in Part V of this proposal.
- G. Work under this municipal auditing services agreement shall begin with the fiscal year 2023 audit and shall commence with the adoption of the contract by the Board of Mayor and Aldermen (BOMA). Any agreement initiated as a result of this RFQ will be effective through June 30, 2025, with an option to renew annually upon mutual agreement between parties up to a maximum of (3) three additional years unless otherwise terminated as provided for by the terms and conditions of the agreement.
- H. The City's BOMA prefers to vote on acceptance of the completed audit at its December voting meeting which is the first Tuesday of December.
- K. The City of Manchester reserves the right to reject any and all proposals, and has the right, in its sole discretion, to accept the proposal it considers most favorable to the City's interest and the right to waive minor irregularities in procedure.

III. AUDIT OBJECTIVES AND SCOPE OF SERVICES

The City of Manchester is requesting proposals for the services of a qualified Certified Public Accounting firm to conduct the Financial and Compliance Audit of the City's operations. Services will include, but not limited to: Planning and Performing the audit; Performing tests of documentary evidence; Evaluation of internal controls; Review of Management Letter; Review of adjusting entries; Draft and final Audit Report (includes approximately six copies and an electronic copy); Preparation and filing of State Documents; Compliance with Single Audit Act, if required; Limited Technical assistance throughout the fiscal year as it pertains to the audit; and Review of Year End Financial reports.

- A. The auditing services performed by the auditor shall allow the firm to:
- Express an opinion on whether the financial statements of the City present fairly the financial position and results of financial operations in conformity with Generally Accepted Accounting Principles (GAAP);
 - Express an opinion on whether the City has complied with laws and regulations that may have a material effect on the audited financial statements; and
 - Issue a management letter.
- B. The minimum standard for audits as identified by the Tennessee Secretary of State and approved by the State Board of Accountancy, shall govern the audit.
- C. The financial and compliance audit shall apply industry standards for auditing, and shall be made in accordance with all of the following:
- 1) The audit will be conducted in accordance with generally accepted auditing standards as prescribed by the American Institute of Certified Public Accountants, generally accepted government auditing standards prescribed by the Comptroller General of the United States, and other requirements which may be prescribed by the Comptroller of the Treasury of the State of Tennessee. In addition, the audit will be conducted in accordance with all provisions of the Single Audit Act of 1984 and in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 and other applicable Federal Management Circulars.
 - 2) The audit shall conform to those standards, procedures, and reporting requirements set forth in the Audit Manual for Governmental Units and Recipients of Grant Funds published by the Comptroller of the Treasury of the State of Tennessee. Any deviation from said standards and procedures shall be approved in writing by the Comptroller of the Treasury prior to the execution of the contract to audit.
 - 3) The Auditor shall, as part of the written report of audit, submit to the BOMA a report containing an expression of an opinion that the financial statements are fairly stated, or qualified as to certain funds or items in the financial statements, or a disclaimer of opinion and the reasons therefore, and shall explain in every detail any unusual items or circumstances under which the Auditor was unable to reach a conclusion. This report shall state that generally accepted governmental auditing standards have been followed in the audit.
 - 4) The auditor shall furnish six copies of the audit report to the City of Manchester. The Auditor shall file copies of said audit with the Comptroller of the Treasury and with the appropriate officials of the granting agencies.

Note: If a management letter or any other reports or correspondence relating to findings or recommendations are issued in connection with this audit, a copy shall be filed with the Comptroller

of the Treasury. Such management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no material matters not also disclosed in the findings found in the published report of audit).

- 5) The audit shall begin in September 2023 and the audit shall be submitted prior to the last day of November 2023. A draft copy of the Financial Report shall be submitted to the Finance Director no later than the third Monday in November. Any subsequent renewals will have the same starting and report deadline requirements.
 - 6) The Auditor shall agree to retain working papers for no less than five (5) years, unless the firm is notified in writing by the City of Manchester of the need to extend the retention period. All audit working papers shall, upon request, be made available for review by the staff, representatives, agents, and legal counsel of the City or the Comptroller of the Treasury of the State of Tennessee during normal working hours while the audit is in progress and/or subsequent to the completion of the report.
 - 7) Progress payments will be made on the basis of work completed during the course of the audit. Progress payments shall not exceed 85% of the contract. Final payment will be made upon acceptance of the final report by the BOMA.
 - 8) Should the circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Finance Director and City Mayor in writing of the need for additional investigation and the additional compensation required. Upon approval by the Comptroller of the Treasury, State of Tennessee, an additional agreement may be made by the BOMA and the Auditor for additional investigation. The changed agreement shall not ignore the routine portion of the audit to be performed as part of the normal audit. Any evidence of fraud, such as misappropriation, misfeasance, malfeasance, embezzlement, or other illegal acts shall be reported immediately to the Comptroller of the Treasury, who shall under all circumstances have the preemptive authority to directly investigate such matters at his discretion. The Auditor shall advise the BOMA at the same time as the Comptroller of the Treasury.
 - 9) An audit exit conference with the Mayor of the city will be conducted by the auditor in charge. At this time the findings and recommendations regarding compliance and internal control shall be discussed. The city official or a designee shall have the opportunity to respond, orally or in writing, on the findings. Any such written responses shall be included in the audit report.
 - 10) The records of the City will not be removed from offices except with express written permission of the City's Finance Director.
 - 11) All adjusting entries will be submitted to the City with sufficient explanation so they can be easily understood and properly posted to the financial records. Reversing entries must also be presented with sufficient explanation.
 - 12) The Request for Proposal (RFP) and the Auditor's proposal will become part of the audit contract as prescribed by the State Comptroller.
 - 13) The Auditor will also be required to assist with assessment and implementation of any revisions necessary as a result of GASB statements, etc.
- D. The audit will be used as a single document which will contain the basic and government-wide financial statements, notes, and as supplementary data, the Combining and Individual Fund Financial Statements and Schedules.
- E. Recommendations based upon the auditing firm's review of the adequacy of internal accounting controls and other audit investigations shall be made a part of a formal management report separate

from the financial audit. Such associated costs shall be included in the audit fee. The discussion of these recommendations shall be with the City Mayor and Finance Director.

- F. The Auditor shall meet with the Finance Director prior to the commencement of each audit to discuss the planned approach to the audit work and to provide a list of schedules to be prepared by City personnel prior to the beginning of field work. An exit conference with the City Mayor and Finance Director is required of the auditing firm on completion of all field work. A summary presentation of the audit findings shall be made to the Finance Committee and the Board of Mayor and Aldermen.
- G. The City will make available the information and work papers necessary in conjunction with the financial and compliance audit engagement.
- H. Expectation of services to be provided by Auditors not already outlined above:
 - Provide the City with adjusting entries and a final trial balance upon completion of the field work.
 - Draft and prepare final audit report – Auditor will be expected to prepare the final audit report and provide 6 hard copies and an electronic copy to the City.
 - Prepare and file all required State Documents.
 - Prepare a report on compliance with specific requirements applicable to major federal financial assistance programs, if required.

IV. EVALUATION CRITERIA

Proposals will be evaluated based on technical responses and price with the following points:

- Experience, Qualifications and References
- Audit Approach and Understanding of City's auditing needs
- Cost Proposal

The selection committee may elect to interview those candidates they deem most suitable to perform the audits. The selection committee will present a recommendation to the Finance Committee for proposal award.

Based upon this review, a recommendation will be made to the Board of Mayor and Aldermen as to award.

V. PROPOSAL FORMAT/REQUIREMENTS

The proposal shall consist of two parts, technical proposal and a cost proposal. The technical proposal shall be in a sealed envelope, clearly identified with the firm's name and clearly identified as "**Technical Proposal**". The cost proposal shall be submitted at the same time as the technical proposal in a separately sealed envelope and clearly identified with the firm's name and labeled "**Cost Proposal**". Do not place the Technical Proposal and Cost Proposal together in the same envelope. Each proposal component shall be submitted in a separate envelope and properly labeled as instructed in the solicitation.

Technical Proposal: The technical proposal shall be styled at the discretion of the submitter. You shall submit three (3) copies of the technical proposal. Your proposal shall address at a minimum these areas:

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

- 2) Organization size and structure of the firm, including a description of the organization of the audit staff and the assigned audit team. Indicate the number of people (by level) located within the local office that will handle the audit and their years of experience with government audits and relevant educational background. Indicate the percentage of the time the senior will be on-site;
- 3) Statement of qualifications that the assigned staff had met continuing education requirements, including education, position in the firm, and years and types of experience;
- 4) A statement indicating that the firm has met peer review standards of the AICPA and Government Auditing Standards (Include a copy of the firms most recent peer review);
- 5) A statement indicating that the firm and partners assigned to the audit are licensed to perform audits within the State of Tennessee;
- 6) A statement that the firm will provide adequate supervision for day to day activities during the assignment;
- 7) A description of the proposed audit plan in general; areas that may require particular audit emphasis should be specified, as well as the extent to which the assistance of City staff will be required. Please include a proposed timeline of services.
- 8) Availability of the Auditor to the agency for specialized consultation and support assistance on sensitive or highly specialized issues;
- 9) A list of three references from other local government clients, including contact information. Indicate which of those clients receive the GFOA Certificate of Achievement for Excellence in Financial Reporting;
- 10) Certification that the person signing the proposal is authorized to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City of Manchester; and
- 11) Proof of professional liability insurance in an amount not less than \$1,000,000.
- 12) The City requests that the proposer provide a description of the role that they will provide in assisting the City with preparation of a future submittal for the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Cost Proposal: A single copy of the cost proposal shall be submitted. Cost proposals will be evaluated separately and after all technical proposals have been evaluated and scored. The cost proposals must be submitted as follows:

- 1) The base audit fee must be quoted either as a maximum fixed amount or as a rate per hour with total estimated hours. If the latter method is used, a maximum amount of billable hours must also be stated. Any incidental expenses, such as travel and supplies, not included in the quoted fee must be estimated and provided. The audit fee must be stated so the amount can be easily determined. Hourly rates for services requested or required above the base audit must be quoted as well. The cost proposal shall describe the types of services that are not included in the base audit fee.
- 2) Break out separately the costs associated with single audit and any changes in pricing structure. Please state if there are any opportunities to reduce audit fees should the City institute additional procedures such as an internal audit function, provision of additional schedules, or other recommended procedures.
- 3) If the firm is willing to enter into a renewal of the contract for subsequent years, the renewal rates must be clearly stated as either a percentage increase over prior year costs or as a fixed amount.
- 4) If the firm is unwilling to renew in either of the two subsequent years, that must be clearly indicated as well.

Provide the firm's proposed all-inclusive audit fee and a statement regarding determination of increases in succeeding years should the contract be extended. Include the hourly rates for each staff employee classification, and any other fees associated with the completion of the audit.

Ownership of the audit reports shall belong to the City of Manchester and it is expressly understood that publication of the audit report (in whole or in part) or reference for such audit report shall be at the sole discretion of the City of Manchester.

Any unusual conditions encountered during the course of the audit where services of the auditing firm must be extended beyond the normal work anticipated will require written notification to the Finance Director who will respond in writing concerning the additional services. Additional fees must be approved by the Board of Mayor and Aldermen.

**APPENDIX A
Volumes/Frequencies/Amounts**

Population: 12,213 (2020 Census)

City Accounting System:

Number of Funds	8
Number of Checking/Treasury Accounts	14
Number of Payable Checks	4,200
Number of Credit Card Transactions	850

Payroll:

Number of Employees	145 FT, 100 PT
Frequency of Payroll	Biweekly/Weekly/Monthly
Number of Payroll Checks/Direct Deposits	7,000

Other Records/Receipts:

Property Taxes, number of bills	5,800
Number of Utility Customers	7,647

School Accounting System:

Number of Funds	4
Number of Checking/Treasury Accounts	10
Number of Payable Checks	1,900
Number of Credit Card Transactions	310

Payroll:

Number of Employees	300
Frequency of Payroll	Monthly
Number of Payroll Checks/Direct Deposits	3600