

BOROUGH of KENNETT SQUARE

BOROUGH AUDIT

REQUEST FOR PROPOSAL

RFP 2018-20

**RESPOND NO LATER THAN:
FRIDAY, SEPTEMBER 14, 2018 AT 10:00 A.M.**

BOROUGH OF KENNETT SQUARE
AUDITING SERVICES
Request for Proposal
RFP 2018-20
MONDAY, AUGUST 6, 2018

1.0 Introduction

The Borough of Kennett Square, Chester County, Pennsylvania, is accepting proposals from qualified certified public accounting firms, with licenses in Pennsylvania, for financial statement preparation and certified auditing services for the years ending December 31, 2018, 2019 and 2020.

2.0 Scope of Work to be Performed

2.1 Preparation of the Borough's general purpose audited financial statements

The financial statements shall be prepared according to Generally Accepted Accounting Principles (GAAP) and must be in adherence with standards issued by the Governmental Accounting Standards Board (GASB). The statements will include an Independent Auditors' Report, basic financial statements, notes to the Basic Financial Statements and required supplementary information to be included in the Borough of Kennett Square's Comprehensive Annual Financial Report. In addition to the annual financial statements, the firm selected will also prepare the Borough's annual DCED Audit Report.

The audit shall include an examination of the financial statements of all accounts and funds including the General Fund, Special Revenue Funds (Liquid Fuels, Solid Waste, Revolving Loan Fund, Emergency Management Fund), Capital Improvement Funds, Water Fund, Sewer Fund, Parking Fund, Police Pension Fund, Non-Uniform Pension Fund, General Fixed Asset Account Group and the General Long-Term Debt Account Group.

Auditing procedures should also include those necessary to determine compliance with the provision of the Single Audit Act of 1984, as well as all other guidelines and requirements of the Act, together with the appropriate regulations for the purpose of issuing a single audit report for each of the three (3) years ending December 31, 2018, 2019 and 2020.

The Annual Commonwealth of Pennsylvania, Department of Community and Economic Development (DCED) Audit and Financial Report should be completed as close to the due date of April 1st as possible, but absolutely no later than June 30th of each year (inclusive of any applicable extensions).

The following reports are to be completed and presented to the Borough Manager as quickly as possible but absolutely no later than June 30th of each year.

- Audited Annual Financial Statements

- The report shall contain an expression of the auditor's opinion as to whether the information contained in the financial statements is presented fairly in conformance with generally accepted accounting principles.
- Management Letter to be prepared for the use of the Administration and Finance Departments.

2.2 Auditing Services

The audit shall be performed according to: (1) Generally Accepted Auditing Standards (GAAS) as listed in the audit and accounting guide, "Audits of State and Local Governments", published by the American Institute of Certified Public Accountants (AICPA); (2) the GAO standards for Audit of Governmental Organizations, Programs, Activities and functions; (3) all other existing or proposed governmental regulations as they become applicable to the Borough. The engagement shall include a presentation of the draft report to the Borough Manager and Finance Director and a presentation of the final report to the Borough Council.

2.3 General Assistance

The engagement includes assistance to any members of the accounting staff, either in person or by telephone, reasonably expected to occur during the course of the engagement related to the financial matters of the Borough.

3.0 Borough Information

3.1 Description of Borough

The Borough of Kennett Square is located in southeastern Chester County, Pennsylvania and covers an area of one (1) square mile. The Borough of Kennett Square was incorporated in 1855 and follows the provisions of the 1966 Borough Code. The Borough population is approximately 6,200 and has approximately 20 miles of roads.

Currently the Borough has 34 full-time and 11 part-time employees. The Borough operates under the Borough Council and Manager form of government and provides the following services:

- General Administration
- Planning and Zoning
- Culture-Recreation-Historical
- Water and Sewer
- Public Safety (Police, Fire, Codes)
- Solid Waste Disposal
- Highway and Streets
- Capital Improvements
- Parking

3.2 Information on the financial records of the Borough

Description	2018 Budget	Checks Issued
01 General Fund	\$4,646,801	2000
06 Water Fund	\$1,364,150	*
08 Sewer Fund	\$1,829,178	*
Sewer Capital Improvements	\$1,540,000	<10
09 Liquid Fuels Fund	\$ 234,225	<10
10 Solid Waste Fund	\$ 366,400	*
15 Parking Fund	\$ 796,868	*
Parking Capital Improvements	\$1,500,000	
30 General Capital Improvements Fund	\$ 424,176	*
40 Revolving Loan Fund	\$ 940,000	
51 Emergency Management Fund	\$ 319,132	*

* General Fund, Water Fund, Sewer Fund, Parking Fund, General Capital Improvement Fund and Emergency Management Fund are consolidated for accounts payable and accounts receivable.

3.3 Additional general information

- The Borough uses a bi-weekly pay period.
- Accounts payable checks are issued on a weekly basis.
- Water, Sewer and Trash billing is done on a quarterly basis for approximately 2,000 customers.
- A Payroll provider is used for payroll.
- Majority of bank accounts are with BB&T.
- Edmunds is the computer software used for accounting, payables and billing.
- Borough staff will prepare all audit confirmation letters.
- Borough staff will prepare accounts receivable, accounts payable and payroll accrual schedules at December 31, 2018, 2019 and 2020.
- Real estate taxes are collected by Berkheimer Associates. Earned Income Tax and Local Services Taxes are collected by Keystone Collection Group
- Borough books should be closed and all schedules completed by March 31, 2019, 2020 and 2021.
- Currently the Borough has a financial staff composed of a Borough Manager, Finance Director, and part-time Accounts Payable/Payroll Clerk.
- The Borough office is open 8:30 a.m. to 4:30 p.m. Monday through Friday.
- Additional information concerning the Borough, along with the December 31, 2017 Audited Annual Financial Statements, may be found on its web site <http://www.kennettsq.org>.

3.4 Previously issued financial reports

The previous audit was completed by Maillie, Falconiero & Company, LLP, which has the previous audit work papers available for inspection at its office in Oaks, Pennsylvania.

4.0 Proposal

4.1 General Requirements

To be considered, the Borough Manager of the Borough of Kennett Square must receive four (4) sealed proposals no later than 10:00 a.m. on September 14, 2018. No faxed or emailed proposals will be accepted, proposals must be mailed or hand delivered to:

*Joseph C. Scalise, Borough Manager
Borough of Kennett Square
120 Marshall Street
Kennett Square, PA 19348*

Only proposals prepared in accordance with the following instructions will be considered: Proposals are to be submitted in two (2) parts with each sealed in a separate envelope(s). The envelope(s) must be marked prominently on the outside **“RFP 2018-20, BOROUGH AUDIT – TECHNICAL PROPOSAL.”** Fee/Cost information shall be in a separate sealed envelope marked **“RFP 2018-20, BOROUGH AUDIT – COST PROPOSAL.”**

Proposals will be handled confidentially by the Borough during the pre-award process. The proposals shall be binding for a period of ninety (90) days from the due date for submission.

The Borough of Kennett Square will not be responsible for any expenses incurred by the auditing firm in preparing and submitting this proposal.

4.2 Proposal format

All proposals must include the following information in the order listed:

A. Technical Proposals should include the following information:

Title Page – List the RFP subject, the name of the firm, the local address, telephone number, name of contact person and date.

Table of Contents – Include a clear identification of the material included in the proposal by page number.

Letter of Transmittal – Limit two (2) pages. Make a positive commitment to perform the required work within the time period requested. Also, give the name(s) of the person(s) who will be authorized to make representation for your firm, their title and telephone numbers.

Profile of Auditing Firm – State whether your firm is local, national or international in size. Give the location of the office from which the work is to be done and the number of partners, managers, supervisors, seniors, and other professional staff employed at the office. Briefly describe the range of activities performed by the local office such as auditing, accounting, tax services and management advisory services.

Summary of the Firm's Qualifications – Describe the recent local and/or regional office auditing experience similar to the type requested in the proposal and give the names and telephone numbers of client officials who might be contacted regarding your firm's work. Please provide three (3) references of current clients who have implemented GASB 34 Statements.

Provide a brief resume for each of the persons to be assigned to the engagement. At a minimum, detail information should be provided for the partner in charge of the audit, the principal or manager who will be reviewing the field audit work, the accountant who will be in charge of the field audit work and any other persons who will be working on our audit. Resumes should include educational and professional experience with particular emphasis on auditing of governmental units. Indicate whether the individuals are members of the American Institute of Certified Public Accountants (AICPA) and/or the Pennsylvania Institute of Certified Public Accountants (PICPA). Briefly describe your firm's professional development program, including the approximate number of hours of continuing professional education provided to members of your firm annually.

In addition, indicate the number of hours of specialized training in governmental auditing and accounting received during the last three (3) years by the personnel who will be assigned to the audit of the Borough. Also, indicate whether the continuing professional education program of your firm is of an internal or external nature.

Provide details as to the capability of your firm to provide management advisory services and to assist the Borough with its Comprehensive Annual Financial Report.

Audit Approach – Make a statement indicating your understanding as to the scope of work requested and briefly describe your firm's audit approach and give specific illustrations of the audit procedures which will be employed.

Utilization of Borough Resources – The auditing firm should provide an estimate of the number of hours which will be required of the accounting staff for: (1) assisting in the preparation of schedules; (2) retrieving documents, e.g., paid checks, invoices, etc; and (3) typing of confirmations, etc.

Additional Data – Include in this section any pertinent information not covered in any of the previous sections. If there is no additional information to present, please state so.

B. Price Proposals shall include the following information for each year:

Compensation – The Borough request that the proposals not include “out-of-pocket” expenses, but that those costs are calculated into the fees charged. Provide the cost to perform the scope of services for each year as a lump sum by year. Provide a breakdown of the proposed fee by billing classification and distribution of estimated hours for each year. The fee should include assistance to any members of the accounting staff, either in person or by telephone, reasonably expected to occur

during the course of the engagement related to the financial matters of the Borough. The firm is responsible for issuing to the Borough ten (10) copies of the Combined Audited Statements and a digital version (i.e., a file in Adobe “PDF” format).

Also, provide a cost per hour for consulting services on matters outside the scope of this engagement.

Note: The firm selected shall not pursue additional compensation for work not previously agreed to in writing by the Borough of Kennett Square and the auditing firm through a contact addendum. It is the obligation of the auditing firm to identify items as additional work and to submit a written request and cost proposal to the Borough of Kennett Square prior to the performance of any additional work.

Billings and Payment Terms – The firm should include what payment terms are required, although monthly progress billings are preferred for the audit fees. Billings should show the total professional hours, by classification, together with applicable rates and extensions.

5.0 Evaluation of the Proposals

In general, the Technical Proposals will be evaluated in terms of: (1) the Firm’s demonstrated understanding of the Borough’s requirements and plans for meeting them, (2) the professional qualifications and related experience of the persons assigned to the engagement; (3) the prior experience and reputation of the firm in auditing municipalities, and (4) the organization size and structure of the firm.

After the three (3) best Technical Proposals have been selected, the Price Proposals of these three (3) firms will be opened and an award will then be made to the firm which, in the opinion of the Borough, submitted the most beneficial proposal, cost and other factors considered. Please note that the award may or may not be made to the firm submitting the lowest cost proposal.

The Borough reserves the right to reject any and all proposals submitted and to request additional information from any firm. Notice is also given of the possibility that an award may be made without discussion or after limited negotiations. It is, therefore, important that all proposals contain the most favorable terms possible and should be complete in all respects.

The proposals will be evaluated by a team consisting of Joseph C. Scalise, Borough Manager and Lisa Ionata, Finance Director.

The auditing firm should be aware that the Borough is a public entity and the approval process is a public process and may require attendance at various public Borough meetings. Representatives of the firm(s) which submit the highest rated proposal(s) may be invited to meet with the Borough of Kennett Square officials for discussion and further review of the submittal and qualifications.

6.0 Termination

This engagement shall terminate upon the satisfactory completion of the work by the auditing firm and acceptance by the Borough of Kennett Square, or upon 10 days' written notice by the Borough at any time, or upon incapacity of the firm. In the event of termination, the Borough of Kennett Square shall pay the firm for work performed to the satisfaction of the Borough of Kennett Square up to the effective date of the termination.

7.0 Availability of Records

The firm agrees, if it is a corporation or employer, to carry Workers' Compensation Insurance and Unemployment Compensation Insurance. The firm agrees that it carries and will continue to carry General Liability Insurance and Motor Vehicle Insurance. An original Certificate of Insurance, showing Motor Vehicle, Workers' Compensation, and General Liability Insurance in the amount of \$1,000,000 per occurrence naming the Borough of Kennett Square as additional insured, and Professional Liability Insurance in the amount of \$1,000,000 made out to the Borough of Kennett Square, shall be submitted by the firm selected to the Borough of Kennett Square along with a signed agreement.

8.0 Contact Information

Inquiries for information related to this request for proposal should be directed to:

*Lisa Ionata, Finance Director
Borough of Kennett Square
120 Marshall Street
Kennett Square, PA 19348*

Phone 610 444-6020 (ext. 106)

Fax 610-444-9385

Email lionata@kennettsq.org