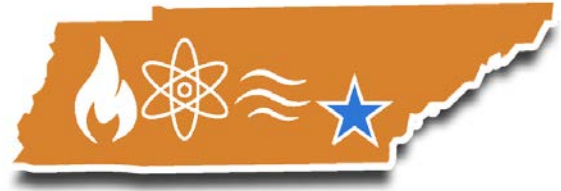




Athens Utilities Board
P.O. Box 0689
100 New Englewood Road
Athens, TN 37371



ATHENS UTILITIES BOARD, TN

REQUEST FOR PROPOSAL MUNICIPAL AUDITING SERVICES

The Utility 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 Utility.

Projected Timeline:

RFP Release

Thursday, January 4th, 2024

Proposals Due

Thursday, February 1st, 2024; 4:00 P.M.
Eastern at AUB Office- See Section II

Interviews with Finalists (tentative)

February 2024

Staff selection of Recommended Firm

March 2024

Budget & Finance Advisory Committee

March 21st, 2024

AUB Board Meeting

March 26th, 2024

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ATHENS UTILITIES BOARD

REQUEST FOR QUALIFICATIONS - MUNICIPAL AUDITING SERVICES

Athens Utilities Board (“Utility”) 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 Utility in accordance with the laws and requirements of the State of Tennessee and the specifications outlined in this Request for Proposal (RFP).

I. DESCRIPTION OF THE UTILITY AND APPLICABLE ACCOUNTING SYSTEMS

Athens Utilities Board’s office is located in McMinn County with approximately 100 employees. The Utility provides a full range of municipal services to its rate payers that includes finance and administration, electric, water and sewer, natural gas, broadband and provides sanitation billing for the City of Athens, TN.

Athens Utilities Board has a General Manager. The Utility is overseen by a five-member board appointed by the City of Athens’ counsel. The Utility board members’ terms are in staggered four-year increments.

The Utility’s electric division is required to adhere to Federal Energy Regulatory Commission (FERC) accounting standards per the utility’s regulator, the Tennessee Valley Authority. The Utility’s water, natural gas, and wastewater divisions follow Governmental Accounting Standards Board (GASB) accounting standards.

Athens Utilities Board uses Central Service Association Microsoft GP Dynamics General Ledger, Accounts Payable, Accounts Receivable, Purchase Orders, Human Resources, Payroll, Cash Receipting, and Utility Billing.

A copy of the financial statements, budgets, and audits from the prior year are available on Athens Utilities Board’s website.

By the end of June, the Utility will have closed and balanced all accounts and prepared preliminary computer-generated yearend trial balance 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 100 New Englewood Road, Athens, TN in the Accounting Department.

Assistance Available from the Utility

- 1) Final trial balance by division
- 2) Approved Board Minutes for fiscal year
- 3) Bank Statements
- 4) Schedule of interbank cash transfers
- 5) Monthly sales statistics
- 6) Accounts Receivable Aged Detail FYE
- 7) Accounts Payable aging
- 8) Payroll ledger
- 9) Final Physical Inventory
- 10) Plant Report and Plant Depreciation Report by division
- 11) Construction In Progress by Job Number
- 12) Open Work Orders
- 13) Copies of all grants and contracts
- 14) Support for all Long-Term Debt Payments
- 15) Accrued leave schedules
- 16) All 941's for Fiscal Year
- 17) Unearned Tap Fees schedule by division
- 18) Tax Equivalent Calculation
- 19) Copies of new debt and/or lease agreements – GASB 87
- 20) Group Health Insurance by division for number of employees and cost
- 21) Rate sheets for all divisions
- 22) Pension report - USI

II. GENERAL INSTRUCTIONS FOR SUBMISSION OF PROPOSALS

- A. All proposals must be submitted not later than February 1, 2024, to: Athens

Utilities Board
Attn: Michelle Millsaps, Superintendent of Accounting
P.O. Box 689
100 New Englewood Road
Athens, TN 37371

The outer envelope in which proposals are tendered should be marked AUDIT PROPOSAL and the opening date of the proposals, February 1, 2024.

- 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”. Only one copy of the cost proposal shall be required.

- D. The proposals must be signed by an individual with the authority to bind the firm.
- E. Time is of the essence and any proposal received after the announced time and date for submittal, whether by mail or otherwise, will be rejected. The time of receipt shall be determined by the Utility. Late proposals received will be so noted in the file and the proposal will be returned unopened. Faxed or e-mailed proposals will not be accepted.
- F. Nothing herein is intended to exclude any responsible vendor, their product or service, or in any way restrain or restrict competition. On the contrary, all responsible vendors are encouraged to offer a proposal. Athens Utilities Board 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).
- G. The selection of the external Auditor will be based upon responses received to the criteria included in Part V of this proposal.
- H. Any questions should be directed to Michelle Millsaps, Superintendent of Accounting, in writing at mmillsaps@aub.org before February 1, 2024. Written responses to inquiries will be posted to the Utility's website on www.aub.org.
- I. Work under this municipal auditing services agreement shall begin with the fiscal year 2024 audit and shall commence with the adoption of the contract by the Board of Members, General Manager and Superintendent of Accounting (anticipated to be issued March 27, 2024). Any agreement initiated in response to this RFP will be effective through June 30, 2026, 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.
- J. The Utility's Board Member prefer to vote on acceptance of the completed audit at its Board meeting voting meeting which is the March 26, 2024 at 5:00pm (EST).
- K. The Utility 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 Utility's interest and the right to waive minor irregularities in procedure.
- L. Any and all documents submitted to the Utility that are associated with this request are subject to the Tennessee Public Records Act. Access to the record is governed by the Tennessee Public Records Act and the policies of the Utility.

III. AUDIT OBJECTIVES AND SCOPE OF SERVICES

Athens Utilities Board is requesting proposals for the services of a qualified Certified Public Accounting firm to conduct the Financial and Compliance Audit of the Utility'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 twelve 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 yearend 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 Utility present fairly the financial position and results of financial operations in conformity with Generally Accepted Accounting Principles;
 - Express an opinion on whether the Utility 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 (AICPA), 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 Circular A-133 and other applicable Federal Management Circulars.
 - 2) The Auditor shall, as part of the written report of audit, submit to the Board Chairman, General Manager, and Superintendent of Accounting 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.
 - 3) The Auditor shall furnish twelve copies of the audit report to Athens Utilities Board. The auditor shall file copies of said audit with the Comptroller of the Treasury.
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).

- 4) The audit shall begin in July 2024 and the audit shall be submitted prior to the first working day of October 2024. A draft copy of the Financial Report shall be submitted to the Superintendent of Accounting no later than October 9, 2024. Any subsequent renewals will have the same starting and report deadline requirements.
 - 5) The Auditor shall agree to retain working papers for no less than five (5) years, unless the firm is notified in writing by Athens Utilities Board 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 Utility 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.
 - 6) 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 Board Chairman, General Manager, and Superintendent of Accounting.
 - 7) 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 Superintendent of Accounting and General Manager 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 General Manager 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 Board Chairman, General Manager, and Superintendent of Accounting at the same time as the Comptroller of the Treasury.
 - 8) The Auditor in charge will conduct an audit exit conference with such officials as designated by the Utility. The findings and recommendations regarding compliance and internal control shall be discussed at said conference. The Utility officials shall have the opportunity to respond orally or in writing to the findings. Any such written responses shall be included in the audit report.
 - 9) The records of the Utility will not be removed from offices except with express written permission of the Utility's Superintendent of Accounting.
 - 10) All adjusting entries will be submitted to the Utility 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.
 - 11) The RFP and the Auditor's proposal will become part of the audit contract as prescribed by the State Comptroller.
 - 12) 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 General Manager and Accounting Manager.

- F. The Auditor shall meet with the Superintendent of Accounting 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 Utility personnel prior to the beginning of field work. An exit conference with the Utility General Manager and Superintendent of Accounting is required of the auditing firm on completion of all field work. A summary presentation of the audit findings shall be made to the Budget and Finance Advisory Committee and the Board Chairman.
- G. The Utility 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 Utility 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 12 hard copies and an electronic copy to the Utility.
 - 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	50%
Audit Approach and Understanding of Utility’s auditing needs	30%
Cost Proposal	<u>20%</u>
Total	100%

The proposals will be reviewed by a selection committee comprised of Superintendent of Accounting, General Manager and Board Chairman. 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 Budget & Finance Advisory Committee for proposal award.

Based upon this review, a recommendation will be made to the Board Members 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 and FERC accounting 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 firm's 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 Utility 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 Power Companies, including contact information.
- 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 Athens Utilities Board; and
- 11) Proof of professional liability insurance in an amount not less than \$1,000,000.

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 number 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 Utility 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 Athens Utilities Board 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 Athens Utilities Board.

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 Superintendent of Accounting who will respond in writing concerning the additional services. Additional fees must be approved by the General Manager.