

PENNYRILE AREA DEVELOPMENT DISTRICT

**REQUEST FOR QUALIFICATION
FOR AUDIT AND TAX SERVICES FOR THE PERIOD
JULY 1, 2023 TO JUNE 30, 2024**

Proposals should be directed to:

**Jason Vincent
Executive Director
Pennyrile Area Development District
300 Hammond Drive
Hopkinsville, KY 42240**

TABLE OF CONTENTS

I. GENERAL INFORMATION

A.	Purpose	1
B.	Who May Respond	1
C.	Instructions on Proposal Submission	1
1.	Closing Submission Date	1
2.	Inquiries/Questions	1
3.	Conditions of Proposal	1
4.	Instructions to Prospective Contractors	1
5.	Right to Reject	2
6.	Small and/or Minority-Owned Businesses	2
7.	Notification of Award	2
D.	Description of Entity and Records to be Audited	3
E.	Options	4

II. SPECIFICATION SCHEDULE

A.	Scope of a Financial and Compliance Audit	4
B.	Description of Programs/Contracts/Grants	7
C.	Performance	7
D.	Delivery Schedule	7
E.	Price	8
F.	Payment	8
G.	Audit Review	8
H.	Exit Conference	9
I.	Work papers	9
J.	Confidentiality	9
K.	AICPA Code of Professional Standards	9

III.	OFFEROR'S TECHNICAL QUALIFICATIONS	
A.	Prior Auditing Experience	10
B.	Organization, Size and Structure	10
C.	Staff Qualifications	10
D.	Understanding of Work to be Performed	11
E.	Certifications	11
IV.	PROPOSAL EVALUATION	
A.	Submission of Proposals	12
B.	Non-responsive Proposals	12
C.	Evaluation	12
D.	Review Process	13
V.	CERTIFICATIONS	
A.-J.	Certifications	14
K.-M.	Certifications	15
VI.	ATTACHMENTS	
A.	FY 2024 Cost Allocation Plan	
B.	FY 2024 Budget Summary	
C.	FY 2023 Audit	
D.	Pennyrile Housing Corporation 990	
E.	Pennyrile Development & Governmental Center 990	
F.	West Kentucky Workforce Board 990	

I. **GENERAL INFORMATION**

A. **Purpose**

The Pennyrile Area Development District (hereinafter referred to as PEADD) is accepting proposals to obtain the services of a public accounting firm, whose principal officers are independent certified public accountants, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, hereinafter referred to as the "Offeror" to perform a financial and compliance audit as well as provide tax services for the fiscal year ending June 30, 2024. The proposal will need to include an option for four additional years.

B. **Who May Respond**

Only licensed Certified Public Accountants (CPA), qualified to do business in the Commonwealth of Kentucky and a member of the American Institute of Certified Public Accountants (AICPA) may respond to this Request For Qualification (RFQ). The individual practitioner or firm should be registered as having an active license to practice with the Kentucky State Board of Accountancy.

C. **Instructions on Proposal Submission**

1. **Closing Submission Date**

Proposals must be submitted and received no later than 3:00 p.m. (CST) on March 27, 2024.

2. **Inquiries/Questions**

Inquiries or questions concerning this RFQ should be directed to Alisha Sutton by email at alisha.sutton@ky.gov (no phone calls please). All inquiries should be made prior to March 20, 2024.

3. **Conditions of Proposal**

All costs incurred in the preparation of a proposal responding to this RFQ will be the responsibility of the Offeror and will not be reimbursed by PEADD.

4. **Instructions to Prospective Contractors**

Your proposal should be addressed as follows:

Mr. Jason Vincent
Executive Director
Pennyrile ADD
300 Hammond Drive
Hopkinsville, KY 42240

It is required that the Offeror's proposal be submitted in a sealed envelope clearly marked in the lower left-hand corner with the following information:

Request for Qualifications
3:00 p.m. – March 27, 2024
SEALED PROCUREMENT for Audit Services

Failure to do so may result in premature disclosure of your proposal.

It is the responsibility of the Offeror to ensure that the proposal is received by PEADD by the date and time specified above.

Late proposals will not be considered.

5. Right to Reject

PEADD reserves the right to reject any and all proposals in response to this RFQ. A contract for the accepted proposal will be based upon the factors described in this RFQ.

6. Small and/or Minority-Owned Businesses

Efforts will be made by PEADD to utilize small and/or minority-owned businesses.

An Offeror qualifies as a small business firm, if it meets the definition of "small business" as established by the U.S. Government Publishing Office, 13 CFR 121 *Small Business Size Regulations*, Subpart A – *Size Eligibility Provisions and Standards*.

A signed affidavit declaring identity as a small and/or minority owned business must be included.

7. Notification of Award

A decision selecting the successful audit firm will not be final until Board approval of the Audit Committee's recommendation. After Board approval and upon conclusion of final negotiations with the successful

audit firm, all Offerors submitting proposals in response to this RFQ will be informed, in writing, of the name of the successful audit firm.

It is expected that the contract shall be a one-year fixed price contract with an option for four additional one-year periods.

D. **Description of Entity and Records to be Audited**

The PEADD is one of 15 Area Development Districts established in 1968 in the State of Kentucky for regional planning and development. In 1972, the Area Development Districts became official public agencies of the State of Kentucky by order of the Kentucky Revised Statute Chapter 147 A.

The PEADD consists of the Kentucky counties of Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd and Trigg. PEADD coordinates planning and development activities for this nine county region and provides assistance with implementation of local, state and federal programs that address community development, planning and quality of life projects. The PEADD's projected annual revenue for FY 2024 is \$27 million and the agency employs 45 specialists in administration, project development, planning and federal programs to administer these funds. Through its partnership with the Department for Local Government (DLG), PEADD is an effective conduit of information and communication between DLG, its state cognizant agency, and the local units of government within the Pennyryle ADD region. PEADD's federal cognizant agency is the U.S. Department of Commerce Economic Development Administration.

Comprised of local elected officials, citizen and minority representatives, PEADD is governed by its Board of Directors. The Executive Director is responsible for the daily operations of the organization.

PEADD operates on a fiscal year beginning July 1 and ending June 30. The accounting systems are maintained on a modified accrual basis throughout the year and are converted to full accrual at June 30 of each fiscal year.

PEADD receives funding from various local, state, and federal government agencies for the administration and completion of specific scopes of work. PEADD prepares an annual cost allocation plan to assign direct and shared costs to each grant, project and program. The allocation plan is submitted to the Department for Local Government annually for approval. PEADD utilizes over 100 projects/programs and cost pools that allocate common, operational and indirect administrative costs to each program.

PEADD utilizes the Accufund accounting software. PEADD has been audited annually for approximately four decades.

The bid documents are available on our website at www.peadd.org. Click the links below to find the following documents:

- a. Cost Allocation Plan - FY 2024
- b. Most Recent Audit Report - FY 2023
- c. FY 2024 Budget summary
- d. Pennyriple Housing Corporation 990
- e. Pennyriple Development & Governmental Center 990
- f. West Kentucky Workforce Board 990

E. **Options**

At the discretion of PEADD, this audit contract can be extended for four additional one-year periods at the discretion of the PEADD Executive Director. The cost for the option periods should be included with the proposal. It is anticipated that the cost for the optional years will be based upon the same approximate cost per thousand dollars of audited expenditures as the contract for the initial year.

II. **SPECIFICATION SCHEDULE**

A. **Scope of a Financial and Compliance Audit**

Pennyriple Area Development District intends to contract for professional auditing/compliance/tax services relative to the scope of work outlined as follows:

A single audit performed in accordance with applicable state and federal administrative regulations, including 2 CFR 200 - *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F – *Audit Requirements* and Generally Accepted Auditing Standard (GAAS).

The following procedures, associated with federal financial assistance programs, must be incorporated:

1. Compliance for all major PEADD programs.
2. Compliance for any non-major program's transactions, tested by the Auditor during the audit process, if applicable
3. Determination of effectiveness of internal control policies and procedures to assure that PEADD is managing federal financial assistance programs in compliance with applicable laws and regulations. As a component of these tests, the Auditor should:
 - a. Perform test of controls to evaluate the effectiveness of the design and operation of the policies and procedures in preventing or

- detecting material noncompliance; and
 - b. If applicable, examine the agency's control system for monitoring its contractors and to obtain and act on contractors' audit reports.
4. Opinion (or disclaimer of opinion) as to whether the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.
 5. Opinion that financial statements are presented fairly in conformity with GAAP.

The examination shall cover all funds, accounts, contracts and work elements of PEADD. The PEADD grant agreements to be examined include but are not limited to Joint Funding Agreement, Workforce Innovation and Opportunity Act (WIOA) grant agreement and subcontracts, Pennyriple Agency on Aging & Independent Living grant agreement and subcontracts, Transportation Cabinet grant agreements, Office of Economic Adjustment grant agreement and subcontracts and District Contracts.

Audit work performed must include:

1. Review and verify the accuracy of financial statements and supporting documentation
2. Review of the sufficiency of sub-recipient monitoring procedures, and independent review of audit reports from sub-grantees
3. Cash accounts must be verified with depositories, bank accounts reconciliations reviewed for appropriateness and proper authorization of cash transfers verified.
4. An audit of the PEADD Trust General/Local Funds must be completed and included.
5. A compilation of the financial statements must be accomplished and the required state and federal non-profit tax returns will be completed for the Pennyriple Housing Corporation, Pennyriple Development and Governmental Center and the West Kentucky Workforce Board.
6. Review the Cost Allocation Plan for compliance to 2 CFR 200 and other applicable regulations.
7. Review final Aging invoices.
8. Additionally, procedures for Aging and WIOA sub-contracts with funding from various sources, must be included in the audit to conform with the following:

- a. The auditor will become familiar with the ADD's approved cost allocation plan submitted to the Department for Local Government to verify that the ADD used prescribed accounting methodology to determine expenditures presented on final expenditure reports.
- b. The auditor will review PEADD monitoring of Aging and WIOA program contractors and the contractors' financial records to determine program and financial compliance with the program grant agreement.
- c. The auditor will become familiar with all applicable requirements set forth in relevant audit guides, sub-recipient grant agreement requirements, and applicable Federal requirements. If the judgment of the independent auditor results in any deviation from these requirements as they relate to substantive program or financial matters, the deviations will be furnished to the appropriate state or federal agency directly by the auditor.

Generally Accepted Government Audit Standards (GAGAS) - (2011 Revision), states in Chapter 2 – Financial Audits section:

2.07 Financial audits provide an independent assessment of whether an entity's reported financial information (e.g., financial condition, results, and use of resources) are presented fairly in accordance with recognized criteria. Financial audits performed in accordance with GAGAS include financial statement audits and other related financial audits:

- a. Financial statement audits: The primary purpose of a financial statement audit is to provide an opinion about whether an entity's financial statements are presented fairly in all material respects in conformity with an applicable financial reporting framework. Reporting on financial statement audits performed in accordance with GAGAS also includes reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
- b. Other types of financial audits: Other types of financial audits conducted in accordance with GAGAS entail various scopes of work, including: (1) obtaining sufficient, appropriate evidence to form an opinion on single financial statements, specified elements, accounts, or items of a financial, (2) issuing letters for underwriters and certain other requesting parties and (3) auditing compliance with applicable compliance requirements relating to one or more government programs.

B. **Description of Programs/Contracts/Grants**

The Scope of Work for the Pennyriple Area Development District shall cover all funds, accounts, grant agreements and work elements of the PEADD. See attachments for a FY 2024 summary budget.

C. **Performance**

The PEADD records shall be audited through June 30, 2024.

The Offeror is required to prepare audit reports in accordance with the **Generally Accepted Government Auditing Standards - (2011 Revision)**, and

1. *2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Part F Audit Requirements*
2. Single Audit Act of 1996
3. Kentucky Revised Statutes and the Kentucky Administrative Regulations.

D. **Delivery Schedule**

Offeror is to transmit a copy of the draft audit report to PEADD's Executive Director. The draft audit report is due on November 15, 2024.

The Offeror shall provide 40 bound copies, one unbound copy and one electronic (pdf) copy of the approved PEADD audit report, printed on standard 8 ½ X 11 letter size paper. The 40 bound reports, one unbound report and pdf file should be delivered to PEADD no later than December 20, 2024. A representative of the audit firm shall present the audit report at a specified meeting of the PEADD Executive Committee and full Board.

Reports may be submitted earlier than the above schedule. However, if the Offeror fails to make delivery of the audit reports within the time schedule specified herein, or if the Offeror delivers audit reports which do not conform to all of the provisions of this contract, PEADD may, by written notice of default to the Offeror, terminate the whole or any part of this contract. Under certain extenuating circumstances the contracting agent may extend this schedule upon written request of the Offeror with sufficient justification.

If any inadequacy is identified with the accounting system and internal control structure, especially with respect to the applicable criteria for a satisfactory internal control system, the report should determine causes and recommendation for corrective action that would be successful in remedying any deficiency. Weaknesses noted during the examination, that the auditor determines should be corrected, will be included in the report along with specific recommendation for

correction, even if the weakness does not render the system inadequate. The weaknesses should include items specifically identified in the survey, as well as all of the ADD's accounting systems and internal controls tested during the comprehensive audit of financial statements. Any weakness or inadequacies will be reviewed by the auditor and ADD Executive Director and included in a separate management letter.

E. **Price**

The Offeror's proposed price for the audit should be submitted. Include information indicating how the price was determined. For example, the Offeror should indicate the estimated number of hours by staff level, hourly rates and total cost by staff level. Any out-of-pocket expenses should also be indicated. The pricing information should be in a separate envelope, within the bid packet.

F. **Payment**

Payment will be made when PEADD has determined that the total work effort has been satisfactorily completed. Should PEADD reject a report, PEADD's authorized representative will notify the Offeror in writing of the reason(s) for the rejection. The right to reject a report shall extend throughout the term of this contract and for ninety (90) days after the Offeror submits the final invoice for payment.

Progress payments will be allowed to the extent that PEADD can determine that satisfactory progress is being made.

Upon delivery of all copies and electronic file, as stated above, of the final reports to PEADD and their acceptance and approval, the Offeror may submit a bill for the balance due on the contract for the audit services.

G. **Audit Review**

All audit reports prepared under this contract will be reviewed by PEADD and its funding sources to ensure compliance with **Generally Accepted Government Auditing Standards**.

The law created by House Bill 189 gives the Kentucky State Auditor of Public Accounts (APA) office a right of first refusal to conduct the PeADD audit or review the certified public accountant or firm's workpapers before the release of audit. If the PeADD's financials are chosen for APA audit during the optional four-year period, the PeADD would need assistance with compiling the financial statements and note disclosures for the APA audit.

In addition, KRS 147A.117 specifies the following requirements in any contract with a certified public accounting resulting from this RFQ:

- (a) That the certified public accountant shall forward a copy of the audit report and management letters to the Auditor of Public Accounts for review;
- (b) That the Auditor of Public Accounts shall have the right to review the certified public accountant or firm's work papers before and after the release of the audit; and
- (c) That after review of the certified public accountant or firm's work papers, should discrepancies be found, the Auditor of Public Accounts shall notify the audited entity of the discrepancies. If the certified public accountant or firm does not correct these discrepancies prior to the release of the audit, the Auditor of Public Accounts may conduct its own audit to verify the findings of the certified public accountant's report.

To ensure these requirements are met, the Offeror's representatives must have extensive communication with the Kentucky Auditor of Public Accounts (APA) office. The APA must approve the audit for release prior to the Offeror's presentation to the ADD's governing body. The APA's approval will be determined by a review of the Offeror's audit documentation and draft, after which the APA will communicate to the Offeror any changes necessary to obtain the APA's approval for release. The Offeror should contact the APA at the beginning of the audit to coordinate the planned audit timeframe to facilitate a timely review and approval process. Subsequently, the Offeror must contact the APA's office to schedule the review of the audit documentation and draft report at least 14 days prior to presenting the draft report to the ADD's audit committee or governing body. The APA may grant tentative approval pending review of the management representation letters and other closing documentation finalized after the date of the APA's initial review.

H. **Exit Conference**

An exit conference with PEADD's representative and the Offeror's representatives will be held at the conclusion of the fieldwork. Observations and recommendations must be summarized in writing and discussed with PEADD. It should include internal control and program compliance observations and recommendations.

I. **Work Papers**

1. Upon request, the Offeror will provide a copy of the work papers pertaining to any questioned costs determined in the audits. The work papers must be concise and provide the basis for the questioned costs as well as an analysis of the problem.
2. The workpapers will be retained for at least three years from the end of the audit period.
3. The workpapers will be available for examination by authorized representatives of the cognizant federal or state audit agency, the General

J. **Confidentiality**

The Offeror agrees to keep the information related to all sub-recipient grant agreements and subcontracts in strict confidence. Other than the reports submitted to PEADD, the Offeror agrees not to publish, reproduce or otherwise divulge such information in whole or in part, in any manner or form or authorize or permit others to do so, taking such reasonable measures as are necessary to restrict access to the information, while in the Offeror's possession, to those employees on the Offeror's staff who must have the information on a "need-to-know" basis. The Offeror agrees to immediately notify, in writing, PEADD's authorized representative in the event the Offeror determines or has reason to suspect a breach of this requirement.

K. **AICPA Code of Professional Conduct**

The AICPA Code of Professional Conduct states:

1.400.055 Governmental Audits

.01 Engagements for audits of government grants, government units, or other recipients of government monies typically require that such audits be in compliance with government audit standards, guides, procedures, statutes, rules, and regulations, in addition to generally accepted auditing standards (GAAS).

.02 If a member accepts such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules, and regulations, the member is obligated to follow such requirements, in addition to GAAS.

.03 Failure to do so is a violation of the “[Acts Discreditable Rule](#)” [1.400.001] unless the member discloses in his or her report that such requirements were not followed and the applicable reasons for not following the requirements. [Prior reference: paragraph .04 of ET section 501]

III. **OFFEROR'S TECHNICAL QUALIFICATIONS**

The Offeror, in its proposal, shall, at a minimum, include the following:

A. **Prior Auditing Experience**

The Offeror should describe its prior auditing experience including the agency name, addresses, contact person, and telephone number of prior organizations audited. Experience should include the following categories:

1. Prior experience auditing Area Development Districts.
2. Prior experience auditing similar programs funded by the state of Kentucky.
3. Prior experience auditing programs financed by the Federal Government.
4. Prior experience auditing similar county or local government activities.
5. Prior experience auditing nonprofit organizations.
6. Prior experience auditing entities with shared/indirect costs.

B. Organization, Size and Structure

The Offeror should describe its organization, size (in relation to audits to be performed) and structure. Indicate, if appropriate, that the firm is a small or minority-owned business. Offeror must include a copy of the most recent Peer Review and comment letter, as well as, a copy of the AICPA Acceptance letter.

C. Staff Qualifications

The Offeror should describe the qualifications of staff to be assigned to the audits. Descriptions should include:

1. Audit team makeup.
2. Overall supervision to be exercised.
3. Prior experience of the individual audit team members.
4. Statement of staff continuum, professional education in government accounting and auditing during last two years.
5. Statement on whether firm has been the object of any disciplinary action during the past three years.
6. Statement as to whether they are independent, as defined by applicable auditing standards.

Only include resumes of staff to be assigned to the audits. Education, position in firm, years and types of experience and continuing professional education will be considered.

D. Understanding of Work to be Performed

The Offeror should describe its understanding of work to be performed, including

audit procedures, estimated hours and other pertinent information.

E. **Certifications**

The Offeror must sign and include as an attachment to its proposal the Certifications enclosed with this RFQ. The publications listed in the Certifications will not be provided to potential Offerors by PEADD, because PEADD desires to contract only with an Offeror who is already familiar with these publications.

IV. **PROPOSAL EVALUATION**

A. **Submission of Proposals**

All proposals shall include three (3) copies of the Offeror's technical qualifications, three (3) copies of the pricing information (in a separately sealed envelope) and three (3) copies of the signed Certifications. These documents will become part of the contract.

B. **Non-responsive Proposals**

Proposals may be judged non-responsive and removed from further consideration if any of the following occur:

1. The proposal is not received in accordance with the terms of this RFQ.
2. The proposal does not follow the specified format.
3. The proposal does not include the Certifications.
4. The Proposal is not adequate to form a judgment by the reviewers that the proposed undertaking would comply with the **Generally Accepted Government Audit Standards**.

C. **Evaluation**

Evaluation of the proposal will be based on the above listed Section III responses to Technical Qualifications including the following criteria:

1. Prior experience auditing

PEADD may contact prior audited organizations to verify the experience provided by the Offeror.
2. Organization, size and structure of Offeror's firm.
(Considering size in relation to audits to be performed.)

3. Qualifications of staff to be assigned to the audits to be performed. This will be determined from resumes submitted. Education, position in firm, years and types of experience, continuing professional education, and state(s) in which licensed as a CPA, etc. will be considered.
4. Offeror's understanding of work to be performed.
5. Price

D. **Review Process**

The PEADD may, at its discretion, request presentations by or meetings with any or all Offerors, to clarify or negotiate modifications to the Offeror's proposals. However, PEADD reserves the right to make an award without further discussion of the proposals submitted. Therefore, proposals should be submitted initially on the most favorable terms, from both technical and price standpoints, which the Offeror can propose.

V. **CERTIFICATIONS**

- A. The individual signing certifies that he/she is authorized to contract on behalf of the Offeror.
- B. The individual signing certifies that the Offeror is not involved in any agreement to pay money or other consideration for the execution of this agreement, other than to an employee of the Offeror.
- C. The individual signing certifies that the prices quoted in this proposal have been arrived at independently, without consultation, communication or agreement, for the purpose of restricting competition.
- D. The individual signing certifies that the prices quoted on this proposal have not been knowingly disclosed by the Offeror prior to an award to any other Offeror or potential Offeror.
- E. The individual signing certifies that there has been no attempt by the Offeror to discourage any potential Offeror from submitting a proposal.
- F. The individual signing certifies that the Offeror is a properly licensed certified public accountant.
- G. The individual signing certifies that the Offeror meets the independence standards of the **Generally Accepted Government Audit Standards**.
- H. The individual signing certifies that he/she is aware of - and, all individuals to be assigned to the audit have met - the GAO Continuing Education Requirement of 80 hours of continuing education every two years; and that 24 hours of this education have been in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.
- I. The individual signing certifies that he/she has read and understands the GAO requirement of an external quality control (peer) review. (Proposals must include a copy of a peer review report and comment letter, if any.)
- J. The individual signing certifies that he/she has read and understands the following

publications relative to the proposed audits:

1. **Generally Accepted Government Audit Standards** - (2011 Revision)
(Yellow Book.)
2. **Principles of Federal Appropriations Law** (Red Book)
3. **2 CFR 200** *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Part F *Audit Requirements*
4. **"Standards for Internal Control in the Federal Government"** (2014)
5. **"State and Local Governments – Audit and Accounting Guide"**
(AICPA Audit Guide).

- K. The individual signing certifies that he/she has read and understands all the information in this Request for Qualifications, including the information on the programs/grants/contracts to be audited.
- L. The individual signing certifies that the Offeror, and any individuals to be assigned to the audits, does not have a record of substandard audit work and has not been debarred or suspended from doing work with any Federal, state or local government. (If the Offeror or any individual to be assigned to the audits has been found in violation of any state or AICPA professional standards, this information must be disclosed.)
- M. The individual signing certifies that the Offeror (does/does not) carry professional malpractice insurance.

Signature of Offeror's Representative

Date

Printed Name & Title

Audit Firm