



**DOUGLAS-CHEROKEE ECONOMIC AUTHORITY  
AFFORDABLE HOUSING PROGRAM**

**REQUEST FOR PROPOSALS**

**FOR**

**AUDITING SERVICES**

**April 13, 2017**

**Douglas-Cherokee Economic Authority**  
**REQUEST FOR PROPOSALS**  
**FOR AUDITING SERVICES**

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## I. INTRODUCTION

### A. General Information

The Affordable Housing Program of Douglas-Cherokee Economic Authority (DCEA) is requesting proposals from qualified firms of certified public accountants to audit the financial statements for its related nonprofit housing corporations. The audit contract(s) will be awarded for three fiscal years (YE June 30, 2018 - 2020) with the option by Affordable Housing's Board of Directors to extend the agreement(s) two additional years (2021 and 2022).

DCEA sponsors and is the management agent for a number of incorporated, nonprofit owner corporations. These corporations own 56 affordable housing rental properties, which require annual audits. These corporations each have fiscal years-ending on a quarterly basis (March 31st, June 30th, September 30th, and December 31st).

These 47 separate audits and 1 compilation will be awarded as follows:

1. All audits awarded in total to one firm, or
2. At a minimum, audits awarded by geographic region. These regions are described in the addenda attached.

Each audit will be a financial and compliance audit and will be conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the *Audit Manual*. Furthermore, if applicable, the audits will be conducted in accordance with the provisions of the Single Audit Act and U.S. Office of Management and Budget (OMB), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and any other applicable federal management circulars. The audits will conform to standards, procedures, and reporting requirements established by the Comptroller of the Treasury. If applicable each audit will be subject to compliance with the *Consolidated Audit Guide for Audits of HUD Programs*, issued by the U.S. Department of Housing and Urban Development, Office of Inspector General.

A comprehensive schedule of corporations is attached to this Request for Proposal ("**Audit & Costs Schedule**"), identifying which corporations are subject to the Single Audit Act and U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Consolidated Audit Guide for Audits of HUD Programs*. This listing will identify corporations by 1 of 3 geographic regions. Firms may submit bids for audit services on all corporations, or by geographic region.

The auditor(s) shall state that the primary purpose of each audit is to express an opinion on the financial statements taken as a whole and that the audit is subject to the inherent risk that errors or irregularities may occur and not be detected.

There is no expressed or implied obligation for the owner-corporations to reimburse firms for any expenses incurred in preparing proposals in response to this request.

To be considered, the Affordable Housing Program must receive sealed bid proposals by May 26, 2017. The proposals will be reviewed by the Affordable Housing Board President, DCEA Executive Director, Affordable Housing Director and other appointed staff and Board Members. It is anticipated the selection of a firm(s) will be completed by June 1, 2017. Following the notification of the selected firm(s), it is expected an engagement letter(s) will be executed between both parties within 30 days of approval. Audit services will begin for corporations with fiscal year ends of September 30, 2017.

The Affordable Housing Program utilizes QuickBooks Pro Accounting as its financial software package.

## **B. Terms of Engagement**

The audit contract(s) will be awarded for three years with the option by the Affordable Housing Board to extend the agreement two additional years. The final contract(s) between the owner-corporations and the auditor(s) shall include provisions for the corporations to terminate the agreement(s) at any time for cause.

## **C. Reporting and Timeline for Audited Financials**

- A draft of each audit should be completed and received within 75 days subsequent to each corporation's year-end. The draft will be reviewed by the Affordable Housing Board President, DCEA Executive Director and the Affordable Housing Director and returned with comments within 10 days of receiving the draft.
- A final copy of the audited financial statements and federal Form 990 must be received within 90 days subsequent to each corporation's fiscal year-end. The owner corporations request one bound copy and an electronic copy of the audited financial statements at this time.

For every day past the draft copy audit deadline, the firm(s) will be assessed a fee of \$20.00 per day. For every day past the final copy audit deadline, the firm(s) will be assessed a fee of \$50.00 per day.

The auditor(s) shall provide a quarterly exit conference with the Affordable Housing staff and DCEA staff to present each corporation's audited financial statements.

## **II. CONTACT INFORMATION**

### **A. General**

The auditor's principal contact will be Anna Mendoza, Affordable Housing Accounting Manager, who will coordinate the assistance to be provided to the auditor.

Phone: (423) 586-1494  
[amendoza@douglascherokee.org](mailto:amendoza@douglascherokee.org)

## **III. NATURE OF SERVICES REQUIRED**

### **A. Qualifying Requirements**

1. Relevant Experience

The firms submitting proposals must be qualified to perform independent audits of non-profit, affordable housing corporations. Specifically, firms must employ staff experienced with HUD, Rural Development, and THDA-subsidized housing programs and requirements, or similar.

2. Availability of Staff with Professional Qualifications

Members of the audit team should be Certified Public Accountants and have experience auditing non-profits and related governmental entities.

3. Similar Engagements with Other Non-Profit/Governmental Entities

The firms should have significant experience auditing other similar non-profits and related governmental entities.

4. External Quality Control Review

The firms must meet the peer review standards of the AICPA and *Government Auditing Standards*.

5. Non-Discrimination

No person shall be denied or subjected to discrimination on account of any services, or activities made possible by or resulting from this agreement on the grounds of sex, race,

color, creed, national origin, age, religion, disability, same sex marital status, and genetics. Any violation of this provision shall be considered a violation of a material provision of this agreement and shall be grounds for cancellation, termination or suspension in whole or in part of the agreement and may result in ineligibility for further contracts. The Proposer shall at all times in the proposal and contract process comply with all applicable state, and federal anti-discrimination laws, rules, regulations and requirements thereof.

## **B. Scope of Work to be Performed**

The auditor(s) shall submit to the Affordable Housing staff both printed and electronic copies of each corporation's audit report. This report shall contain an expression of opinion on the corporation's financial statements and other required compliance matters as described within this Request for Proposal.

## **C. Auditing Standards to be Followed**

To meet the requirements of this request for proposal, each audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. Comptroller General's *Government Auditing Standards*, requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Additional compliance requirements regarding the audits of HUD programs and compliance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* are described in this Request for Proposal.

## **D. Reports to be Issued**

Following the completion of each audit's fiscal year's financial statements, the auditor(s) shall issue, as required by generally accepted auditing standards and *Government Auditing Standards*, all applicable reports in accordance with *Government Auditing Standards* and U.S. Office of Management and Budget (OMB), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and any other applicable federal management circulars. Additional requirements regarding HUD program guidelines are also described within this Request for Proposal.

Any findings and recommendations regarding compliance, internal control or other matters shall be discussed with the Affordable Housing Board President, DCEA Executive Director, and the Affordable Housing Director. The Affordable Housing Board President or her designee(s) shall have the opportunity to respond orally or in writing to the findings. Any such responses shall be included in the audit report in accordance with the standards.

## **E. Working Paper Retention and Access to Working Papers**

All working papers and reports must be retained, at the auditor's expense, for a minimum of six (6) years, unless the firm is notified in writing by the owner corporations of the need to extend the retention period. The auditor(s) will be required to make working papers available upon request.

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

## **F. Other Services**

The Affordable Housing Program requests the following non-audit services.

- Assist in preparing the financial statements, schedule of expenditures of federal awards (if applicable), and related notes in conformity with U.S. generally accepted accounting principles and the Uniform Guidance, and the supplementary information required by HUD's *Uniform Financial Reporting Standards for HUD Housing Programs* (if applicable).
- Propose adjusting journal entries other than audit entries.
- Prepare and file the not-for-profit federal information return (IRS Form 990).
- Prepare depreciation schedules.
- Complete the FASSMF templates with financial information for the corporation's review, prior to bidder's electronic submission to HUD's Real Estate Assessment Center (REAC) on behalf of the corporation and in accordance with the corporation's regulatory and contractual obligations to HUD.

## **IV. PROPOSAL REQUIREMENTS**

### **A. General Requirements**

#### 1. Intent to Submit a Bid

A written intent to submit a bid must be made no later than April 24, 2017 by email to [amendoza@douglascherokee.org](mailto:amendoza@douglascherokee.org)

#### 2. Inquiries Concerning Request for Proposals

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to Anna Mendoza, Affordable Housing Accounting Manager.

- Written inquiries (email) should be made no later than noon, May 1st, 2017.
- Written responses to inquiries will be provided no later than 4:30 pm, May 6th, 2017. These responses will be provided to all firms that have issued intent to submit a bid for audit services.

Phone: (423) 586-1494

[amendoza@douglascherokee.org](mailto:amendoza@douglascherokee.org)

#### 3. Submission of Proposals

The following material is required by 4:30 p.m. EST on May 26th, 2017 for a proposing firm to be considered:

- a. The Proposal is to be sealed and include the following:
  - Title Page - Title page showing the request for proposal's subject; the firm's name; the name, address, email address, and telephone number of a contact person; and the date of the proposal.
  - Table of Contents
  - Transmittal Letter - A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for the period covered.
  - Detailed Proposal - The detailed proposal should follow the order set forth in Sections IV.B. and IV.C. of this Request for Proposal.

- b. Proposers should send the completed proposal in a sealed envelope to the following address:

Douglas-Cherokee Economic Authority – Affordable Housing Program  
Attention: Anna Mendoza, Affordable Housing Accounting Manager  
407 East Main Street  
Morristown, TN 37814

## **B. Technical Proposal**

### 1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of DCEA sponsored corporations in conformity with the requirements of this request for proposal. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

The technical proposal should address all the points outlined in the request for proposal. The proposal should be prepared simply, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal.

**While additional items may be presented, the following subjects, items Nos. 2 through 6, must be included in the proposal. They represent the criteria against which the proposal will be evaluated.**

### 2. Independence

The firm should provide an affirmative statement that it is independent of DCEA and its sponsored nonprofit housing corporations as defined by generally accepted accounting standards and the U.S. Comptroller General's *Government Auditing Standards*.

### 3. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's non-profit/governmental audit staff, the location of the office from which the work on this engagement is to be performed.

The firm shall also affirm that it has met the peer review standards of the AICPA and *Government Auditing Standards*.

#### 4. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Tennessee.

#### 5. Similar Engagements with Other Non-Profit/Governmental Entities

For the firm's office that will be assigned responsibility for the audits, provide at least three current non-profit/governmental references and one previous non-profit/governmental reference.

#### 6. Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section IV of this request for proposal.

Additional points will be given to proposals that submit bids to perform all audits mentioned under this proposal. (See addenda for listing)

### **C. Professional Fees**

#### 1. Professional Fees

The proposal should include a schedule of professional fees; presented in the format encompassing all costs that supports the total all-inclusive price for each corporation. Please see the "Audit & Costs Schedule" attached.

#### 2. Rates for Additional Professional Services

A separate quote should be given for the following:

- Preparation and filing of federal return Form 990
- Online FASSMF submissions to HUD REAC

Occasionally the corporations are required to have other accounting work performed. The Auditor(s) will be expected to perform these engagements and any other audit services requested by the corporations outside of the standard audit at an hourly rate stated in the auditor's proposal.

## **V. EVALUATION PROCEDURES**

All acceptable proposals will be reviewed by the Affordable Housing Board President, DCEA Executive Director, Affordable Housing Director, other appointed staff and the Affordable Housing Board of Directors.

### **A. Evaluation Criteria**

The following represent the principal selection criteria, which will be considered during the evaluation process of proposals.

#### **Mandatory Elements**

1. The audit firm is independent and licensed to practice in Tennessee.
2. The audit firm's professional personnel have met adequate continuing professional education requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.
3. The firm has no conflict of interest with regard to any other work performed by the firm for DCEA or its owner-corporations.
4. The firm has met peer review standards of the AICPA and *Government Auditing Standards*.
5. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.

#### **Technical Requirements**

1. Qualifications and Experience
2. Partner, Supervisory, and Staff Qualifications and Experience
3. Similar Engagements with Other Nonprofit/Governmental Agencies
4. Audit approach describes how the firm intends to conduct the audit

#### **Price**

1. Cost will not be the primary factor but will be considered when selecting an audit firm(s).
2. Management will review the proposers completed "Audit & Costs Schedule" to evaluate proposed costs for services to be provided, (Section I A., and attached addenda)

### **B. Final Selection**

It is anticipated that a firm(s) will be selected by June 1<sup>st</sup>, 2017 at the Affordable Housing Board meeting. Following notification of the firm(s) selected, it is expected a contract(s) will be

executed between parties within thirty-days of approval.

**C. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the corporations and the firm(s) selected.

DCEA reserves the right without prejudice to reject any or all proposals or parts thereof for any reason, to negotiate changes to proposal terms, to waive minor inconsistencies with the request for proposal and to waive formalities.