



**REQUEST FOR PROPOSAL FOR EXTERNAL  
AUDIT SERVICES**

**LKLP Community Action Council, Inc.  
398 Roy Campbell Drive Hazard, KY 41701  
[www.lklp.org](http://www.lklp.org)**

## REQUEST FOR PROPOSAL FOR EXTERNAL AUDIT SERVICES

LKLP Community Action Council, Inc. is requesting proposals for the completion of a single agency audit, income tax preparation, and other duties as outlined in the RFP format. The scope of the audit is from July 1, 2018 to June 30, 2019 with options to renew annually for up to four (4) additional one (1) year periods (fiscal year ending June 30, 2020, June 20, 2021, June 30, 2022 and June 30, 2023 respectively). The contract between the parties shall be within the sole discretion of the agency and subject to:

1. Satisfactory performance as determined by the agency;
2. Availability of funds as determined by the agency.

### **Submittal Guidelines**

Responders must send three (3) original proposals via United States mail, hand-delivered or by other carrier, such as Federal Express, under sealed cover and marked “**Sealed Bid**” to:

Cena Whitaker  
Chief Financial Officer  
LKLP Community Council, Inc.  
398 Roy Campbell Drive  
Hazard, KY 40701

Electronic proposals and faxed proposals will not be accepted. Sealed Bids are due by 3:00 p.m. EST on November 9, 2018.

Only licensed Certified Public Accountants (CPA’s) or licensed firms may submit proposals. Any costs incurred by the firm in preparing the RFP are the responsibility of the applicant.

Inquiries regarding the proposal or to request a copy of the last audit should be directed to Cena Whitaker in writing via email at [cena.whitaker@lklp.net](mailto:cena.whitaker@lklp.net). Inquiries made by phone will not be accepted.

Upon delivery, all materials submitted in response to this RFP become the property of LKLP and may be appended to any formal documentation establishing a contractual relationship between LKLP and the audit firm. The audit firm shall not submit any information that is of a proprietary nature or mark its proposal as proprietary or confidential.

LKLP reserves the right to accept or reject any or all proposals and/or to re-advertise, waive any non-material irregularities and technicalities contained therein, and may at its sole discretion, request a clarification of other information to evaluate any or all proposals. Offerors may be required to submit evidence of qualifications or any other information as LKLP may deem necessary.

The audit firm agrees in submitting a proposal that the proposal may not be modified, withdrawn, or canceled by the firm for one hundred eighty (180) calendar days following the submittal date. The firm's proposal will be valid for a period of one hundred eight (180) calendar days following the submittal date.

### **Conflict of Interest**

All offerors must disclose in their cover letter the name of any officer, board member, director, or employee who owns, directly or indirectly, any interest in the respondent's business or any of its branches. All respondents must disclose any business relationships or family relations with any officer, board member, director or employee of LKLP.

### **Notification of Award**

Each sealed proposal, including the proposed price will be reviewed and ranked based on the lowest price and best response. LKLP expects to select an audit firm by November 16, 2018. LKLP reserves the right to reject any or all responses received or any part thereof or to accept any response or any part thereof when it is deemed to be in LKLP's best interest. A contract will be negotiated with the selected firm. It will be for an audit of the fiscal year noted above.

Following contract negotiations with the selected firm, all entities that submitted a proposal will be notified in writing of the firm selected.

### **Agency Background**

LKLP Community Action Council, Inc. is a private, nonprofit corporation. It is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The governing body of L.K.L.P. is a 24-member Board of Directors, elected to four-year terms, updated annually, with the membership equally divided among the three major groups as required by Section 675 (c), subsection (3) of KRS 273.437, as follows:

- (a) one-third (8) elected public officials currently holding office, or their representative(s),
- (b) one-third (8) representatives of the poor, chosen in accordance with democratic election procedures,
- (c) and the remaining one-third (8) are from the private sectors, representatives of business/industry, civic clubs, church ministries, school systems, medical community, etc.

The mission of LKLP is to work with all segments of the community in an effort to alleviate poverty.

The following is a list of financial records: 14 bank accounts, general ledger reports, property and equipment schedule, depreciation schedule, revenue and expense reports, Schedule of Expenditures of Federal Awards (SEFA), balance sheet, supplemental financial statements, and payroll documents. Financial records are maintained on a computerized system. The Grants Management System (GMS) is utilized.

Annual revenues are estimated to be \$40 million total, the majority of which is from federal and state grants. Attachment A provides the Schedule of Expenditures of Federal Awards for fiscal year ending June 30, 2018. LKLP CAC, Inc. operates on a July 1 – June 30 fiscal year. However, LKLP Headstart operates on a June 1 – May 31 fiscal year. The audit will be a consolidated audit for both entities. Currently, both entities do operate under two (2) different EIN's and require income taxes to be filed for both separately.

The organization is an Equal Opportunity employer. As such, it attempts to empower all employees regardless of race, creed, color, age, sex, national origin, sexual preference, gender identity, familial status, or disability. The firm must work in accordance with this philosophy.

### **Timeline of Audit Completion**

The firm should conduct their audit between September and December 2019. A draft audit should be delivered to the organization's Executive Director by December 15, 2019. Following review and comments, forty (40) final bound audit reports and one (1) unbound should be delivered to the Executive Director no later than January 15, 2020. Failure to submit the reports by the dates specified above could result in the termination of all or part of the audit contract.

An exit conference shall be scheduled with LKLP at the end of the audit. However, payment for the audit will not be made until after the final audit is received. During the exit conference, the firm should discuss the audit, any findings, and make recommendations. The firm should present the LKLP audit to the Board at the February 2020 board meeting.

Copies of any workpapers may be requested by LKLP. Workpapers must be made available for review to any of the organization's funding sources with written consent from the organization. The workpapers must be retained for at least three years following the end of the audit period.

### **Proposal Content**

The RFP should be submitted using the following format:

1. A cover letter should include the following: Complete legal name of the firm, address, telephone number, name and title of contact person and federal tax

identification number. It should state the firm's ability and willingness to submit the RFP. Assurance must be provided that adequate general comprehensive, liability, and the firm maintains bonding insurance. The firm should indicate if it is a small or minority business. The firm should indicate any conflicts of interest.

2. Provide a description of the firm's prior auditing experience with nonprofits, similar types of programs and funds. Names, addresses, telephone number, and number of years audited should be included in the description.
3. The structure and size of the firm should be described.
4. The qualification of staff that will be assigned to the audit should be described. Resumes of staff that will be assigned should be provided. Levels of supervision should be indicated.
5. An estimated number of hours by each member of the audit team should be indicated.
6. Specific tasks/work to be performed should be described. (Audit work plan)
7. Provide a list of all information required of the organization prior to, during, and after fieldwork.
8. Assurances that the firm is competent to perform the audit and is familiar with any rules and regulations that govern federal and state grants.
9. The proposed price of the audit and tax preparation and additional work, including 990s, 5500s, Clearinghouse, Closing Entries, and related agency forms should be indicated. A description of how the price was determined should also be included. This includes estimated number of hours by staff and hourly rates for staff. Prices for future audits should be stated.
10. Describe any technical assistance the firm would provide to the organization during and after the audit. Any limitations on or additional fees for technical assistance should be explained.
11. Signed "Certification". (Attachment B)
12. The proposal shall be submitted in a sealed envelope and marked on the outside of the envelope as Sealed Bid and received by 3:00 p.m. EST on November 9, 2018.

### **Summary of Audit Services**

LKLP desires to receive the following financial and compliance services:

1. Financial Statement Audit – The examination will be a financial and compliance audit made in accordance with Generally Accepted Auditing Standards. The primary purpose of the audit is to express an opinion on LKLP's financial statements. The examination includes examining transactions and accounts that support the amounts in the financial statements and includes an overall review of LKLP's financial statements. The audit procedures used shall be sufficient to enable the respondent to express an opinion on the fairness of LKLP's presentation of its financial position, results of operations, and cash flows in accordance with United States generally accepted accounting principles.
2. Review of Internal Controls – The offeror is required to review LKLP's internal controls and obtain an understanding of the agency operations in order to properly plan auditing procedures, identify areas of potential misstatements, and assess fraud risk. In addition, the offeror may need to test internal controls to assess the extent the controls can be relied upon in order to reduce testing procedures. Internal control management letter comments and reportable conditions shall be communicated in writing in accordance with Generally Accepted Auditing Standards.
3. Management Letter – A management letter will be issued that will contain significant audit findings.
4. Tax Form 990 – The offeror will be required to prepare Tax Form 990 Return of Organization Exempt from Income Tax for all fiscal years covered under engagement contract and file the return electronically. The offeror will be responsible for filing an extension to file if necessary.
5. Form 5500 - Completing and submitting the Form 5500, Annual Return/Report of Employee Benefit Plan, on time will be a required part of the single audit under this audit contract. The offeror will be responsible for filing an extension to file if necessary.
6. The required audit should be conducted in accordance with the Federal Single Audit Act Amendments of 1996 and Office of Management (OMB) Uniform Grant Guidance (2 Code of Federal Regulations CFR, Part 200, previously OMB Circular A-133).
7. The Federal Data Collection Form SF-SAC will be a required part of the single audit under this audit contract.

### **Confidentiality**

The offeror agrees to keep the information related to all contracts in strict confidence. Other than the reports submitted to LKLP, 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, LKLP's authorized representative in the event the offeror determines or has a reason to suspect a breach of this requirement.

### **Cancellation/Termination of Contract**

In the event any of the provisions of this proposal are violated by the offeror, the Executive Director, or a designee will give written notice to the auditing firm stating the deficiencies. The auditing firm will have 10 days to correct the deficiencies. If the auditing firm does not make the corrections within 10 days, then recommendation will be made to the Board of Directors for immediate cancellation of the contract. If the contract is cancelled, LKLP may pursue any and all legal remedies as provided herein and by law.

LKLP reserves the right to terminate any contract resulting from this RFP, at any time and for any reason, upon giving 30 days prior written notice to the other party. If the contract should be terminated without cause, LKLP will be relieved of all obligations under said contract. LKLP would only be required to pay the auditing firm remuneration for contract services actually performed as of the date of termination. Access to, and copies of, all accounting and auditing information will be provided to LKLP after the termination of the contract.

The auditing firm will have the option to terminate the contract without cause upon written notice to the Executive Director. The written notice must be received at least 60 days prior to the effective date of the termination. Cancellation of the contract by the auditing firm may result in removal of that firm from the respondents list for a period of 3 years.

In the event that the awarded offeror should breach this contract, LKLP reserves the right to seek remedies in law and or in equity. Default would result in removal of the firm from the offerors list for a period of 3 years.

Attachment B

CERTIFICATIONS

On behalf of the Offeror:

- 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, for the purpose of restricting competition.
- C. The individual signing certifies that the prices in this proposal have been arrived independently, without consultation, communication, or agreement, for the purpose of restricting competition.
- D. The individual signing certifies that the prices quoted in 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 Government Auditing Standards.
- H. The individual signing certifies that he/she is aware of and will comply with the GAO Continuing Education Requirement of 80 hours of continuing education every two years; and that 24 hours of the 80 hours of education will be in subjects directly related to the government environment and to government auditing for individuals.
- I. The individual signing certifies that he/she is aware of and will comply with the GAO requirement of an external quality control (peer) review at least once every three years.
- J. The individual signing certifies that he/she has read and understands the following publications relative to the proposed audits:
  - 1. Government Auditing Standards



2. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB Uniform Guidance)
  3. A Guide for Non Profit Organizations: Cost Principles and Procedures for Establishing Indirect Cost and Other Rates for Grants and Contract with the Department of Health and Human Services (May 1983)
  4. Audits of State and Local Governments (AICPA Audit Guide)
  5. Audits of Certain Nonprofit Organizations (AICPA Audit Guide)
- K. The individual signing certifies that he/she has read and understands all of the information in this Request for Proposal, 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 audit, 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. We have attached the following for your review:
1. Audit Services Proposal
  2. A signed and Notarized copy of the Certification Affidavit
  3. A completed IRS form W-9

Dated this \_\_\_\_\_ of \_\_\_\_\_, 2018.

\_\_\_\_\_  
(Offeror's Firm Name)

\_\_\_\_\_  
(Signature of Offeror's Representative)

\_\_\_\_\_  
(Printed Name and Title of Individual Signing)

\_\_\_\_\_  
(Email and Telephone)

**LKLP COMMUNITY ACTION COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2018**

<b>FEDERAL GRANTOR/PASS - THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY ID NUMBER</b>	<b>PASSED THROUGH TO SUBRECIPIENTS</b>	<b>FEDERAL EXPENDITURES</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Direct Funding:				
Head Start Program	93.600	04CH996503	\$ -	\$ 5,971,601
Head Start Program	93.600	04CH996504	-	547,469
Total Head Start Program			-	6,519,070
Passed through Kentucky Cabinet for Health and Family Services:				
Community Services Block Grant	93.569	PON2 736 1700002530	-	573,025
Community-Based Child Abuse Prevention Grants	93.590	PON2 736 16000011615	-	136,289
Passed through Community Action Kentucky:				
LIHEAP	93.568	736 1700002734 3	-	1,862,620
LIHEAP Weatherization	93.568	LH18-0611-02	-	268,369
Total LIHEAP			-	2,130,989
Passed through Kentucky Domestic Violence Association:				
Spouse Abuse (Family Violence Prevention and Services)	93.671	PON2 736 1600002762 5	-	100,993
Spouse Abuse (TANF)	93.558	PON2 736 1600002762 5	-	147,383
<b>Total U.S. Department of Health and Human Services:</b>			<b>-</b>	<b>9,607,749</b>
<b>U. S. DEPARTMENT OF ENERGY</b>				
Passed through Community Action Kentucky:				
Weatherization	81.042	WX18-0611-02	-	183,397
<b>Total U.S. Department of Energy:</b>			<b>-</b>	<b>183,397</b>
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through the Kentucky Transportation Cabinet:				
Federal Transit: Capital Investment Grants	20.500	G38F209Z	-	201,678
<b>Total U.S. Department of Transportation:</b>			<b>-</b>	<b>201,678</b>
<b>U.S. DEPARTMENT OF LABOR</b>				
Passed through Eastern Kentucky CEP, Inc.:				
WIOA Adult	17.258	DTR16007	-	291,030
WIOA Dislocated Worker	17.278	DTR16007	-	21,004
WIOA Youth Activities	17.259	DTR16007	-	426,405
WIOA National Emergency Grants	17.277	DTR16007	-	1,591,689
<b>Total U.S. Department of Labor</b>			<b>-</b>	<b>2,330,128</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through Kentucky Department of Education:				
Child and Adult Care Food Program - Compassionate Hearts	10.558	11651	-	16,342
Child and Adult Care Food Program - Headstart	10.558	11287	-	73,346
Child and Adult Care Food Program - Headstart	10.558	11287	-	271,131
<b>Total U.S. Department of Agriculture:</b>			<b>-</b>	<b>360,819</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				

Passed through Kentucky Justice and Public Safety Cabinet:				
VOCA	16.575	VOCA-2016-LKLP-00007	-	51,724
VOCA	16.575	VOCA-2017-LKLP-00014	-	168,114
<b>Total U.S. Department of Justice:</b>			<u>-</u>	<u>219,838</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through Kentucky Housing Corporation:				
Emergency Solutions Grant (ESG)	14.231	ES16-0018-01	-	8,902
HUD Housing Counseling	14.169	HC17-0441-002	-	8,588
<b>Total U.S. Department of Housing and Urban Development:</b>			<u>-</u>	<u>17,490</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Passed through HEAD, Inc.:				
Volunteer Income Tax Assistance (VITA)	21.009	17VITA0064	-	6,000
<b>Total U.S. Department of the Treasury:</b>			<u>-</u>	<u>6,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS:</b>			<u>\$ -</u>	<u>\$ 12,927,099</u>