

**CITY OF PADUCAH, KENTUCKY**  
**REQUEST FOR PROPOSALS**  
**FOR**  
**PROFESSIONAL AUDITING SERVICES**  
**FOR THE ELECTRIC PLANT BOARD OF THE CITY OF PADUCAH**  
**OCTOBER 13, 2022**

# **REQUEST FOR PROPOSALS**

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## **I. INTRODUCTION**

### **A. General Information**

The City of Paducah is requesting proposals from qualified firms of Certified Public Accountants to audit the financial statements of The Electric Plant Board of the City of Paducah d/b/a Paducah Power System for three (3) consecutive fiscal years beginning with fiscal year ending June 30, 2023. These audits are to be performed in accordance with generally accepted auditing standards.

There is no expressed or implied obligation for the City of Paducah or Paducah Power System to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

The City of Paducah reserves the right to waive any informalities, to reject any and all proposals submitted, to evaluate and to accept any proposal which, in its opinion, offers the most acceptable proposal to the City of Paducah.

No proposal will be accepted after November 15, 2022, at 2:30 p.m. or at any location other than specified within this request for proposal. Any such proposals will be deemed invalid.

The proposal should be complete, but at the same time simple and concise. All proposals become the property of the City of Paducah and a proposal may not be withdrawn for a period of 60 days after the actual date of the opening.

All proposals will be evaluated by a management committee. During the evaluation process, the City of Paducah reserves the right to request additional information or clarifications from proposers, or to allow correction of errors or omissions. At the discretion of the City of Paducah, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Paducah reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal.

### **B. Terms of Engagement**

A three (3) year contract is contemplated and is subject to the annual review and recommendation of the Management Committee. Award of a contract may be made without discussions after proposals are received. Proposals should, therefore, be submitted initially on the most favorable terms possible. Discontinuance of any accepted proposal requires a 120 days notice prior to the fiscal year end by either party.

### **C. Subcontracting**

If subcontracting portions of the engagement to other firms is to be done, that fact and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award, no additional work can be subcontracted without the consent of the City of Paducah. The audit contract is for one firm and neither the City of Paducah nor Paducah Power System

will incur any liability for any portion of the work being subcontracted.

## **II. NATURE OF SERVICES REQUIRED**

### **A. General**

The City of Paducah is soliciting the services of qualified firms of Certified Public Accountants to audit the financial statements of the Electric Plant Board of the City of Paducah d/b/a Paducah Power System for the three (3) fiscal years beginning with June 30, 2023. These audits are to be performed in accordance with the provisions contained in this request for proposals.

The auditor's report will be provided to regulatory agencies of the Paducah Power System. Paducah Power System may, at its discretion, use the report in official statements required in the issuance of long-term debt.

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

The City of Paducah desires the auditor to express an opinion on the fair presentation of its general-purpose financial statements for the Paducah Power System in conformity with generally accepted accounting principles.

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

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.

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

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on compliance with applicable laws and regulations. The report on compliance shall include all instances of noncompliance.
3. A report to management communicating reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The auditor shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware.

#### E. Special Considerations

1. The firm shall keep Paducah Power System officials adequately informed throughout the year of any new requirements and/or changes in financial reporting disclosures.
2. The firm may be required to assist Paducah Power System with the annual journal entry for the Pension and OPEB calculations.

#### F. Working Paper Retention and Access

All working papers and reports must be retained, at the auditor's expense, for a minimum of four (4) years, unless the firm is notified in writing by the City of Paducah of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their representatives:

1. The Board of Directors of Paducah Power System
2. Management Officials of Paducah Power System
3. City of Paducah Officials

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

### **III. DESCRIPTION OF THE ORGANIZATION**

#### A. Name and Telephone Number of Contact Person

The auditor's principal contact with Paducah Power System will be Jennifer Cook, Accounting Manager, or a designated representative who will coordinate the assistance to be provided by Paducah Power System to the auditor. Ms. Cook may be contacted at (270) 575-4023.

#### B. Background Information

Paducah Power System is a municipally owned electric utility set up under Kentucky statutes 96.550 through 96.900. As such, Paducah Power System operates independently of the city of Paducah government other than the mayor appointing the five board members of the utility for fixed four year terms and the city commission approving these appointments. As an independent utility, Paducah Power System is not considered a part of the city and operates as a stand-alone organization and has the ability to issue bonds in its own name. Paducah Power System is a vertically integrated utility company with over 60 employees, and owns its own generation, transmission and distribution system. It serves approximately 22,600 customers and has existed since 1961. Paducah Power System along with the smaller Princeton, Kentucky Electric System owns 7.82 percent of the newly constructed 160MW Prairie State Generating Station in southern Illinois. In addition, Paducah Power System owns and operates a 124MW natural gas-fired peaking plant within the confines of the utilities electric system. Paducah Power System for over 20 years has operated a fiber optic network in the city of Paducah and McCracken county consisting of approximately 62 miles of 192 count ADSS fiber optic cable

backbone and has built out this system considerably with smaller loops to serve approximately 600 plus customers. The utility also has a network operations center at its location and several other operators of telecommunication systems have co-located within this facility. In addition, Paducah Power System is a member of the MuniNet Fiber Agency which is a joint action agency consisting of seven cities at present in Kentucky. The purpose of MuniNet, which is headquartered in Paducah Power System offices, is to provide a statewide fiber network with sinks in larger cities such as Nashville, Tennessee and Louisville, Kentucky. MuniNet has completed two projects so far totaling approximately 175 miles of long haul fiber and all seven MuniNet members including Paducah are connected to backbone provider Level 3 in Nashville, Tennessee. These connections enable Paducah to offer large back haul to the internet for companies in need of such services. At present, MuniNet Fiber Agency is constructing additional projects that will link all of municipal electric systems in the state together and will total approximately 500 miles of fiber optic cable lines when completed.

#### **IV. TIME REQUIREMENTS**

##### **A. Proposal Calendar**

1. Request for Proposals Issued - October 13, 2022
2. Due Date for Proposals - November 15, 2022

##### **B. Date Audit May Commence**

Preliminary audit work can begin immediately following the Award Date.

##### **C. Schedule for Fiscal Year Audit**

Each of the following shall be completed by the auditor no later than the dates indicated.

1. Field Work
  - a. The auditor shall complete all fieldwork by September 30.
2. Draft Reports
  - a. The auditor shall have drafts of the audit reports and the recommendations to Paducah Power System management available for review by October 1.

##### **D. Final Audit Reviews**

1. The auditor will meet with the Board of Directors of Paducah Power System for presentation of the final audit findings during the October monthly board meeting normally held the second Monday of the month.
2. The auditor will be available for questions when the official submission of the audit report is made to the City Commission during the month of October or November.
3. The final signed reports and ten (10) hard copies, along with an electronic copy, shall be

delivered to Doug Handley, Director of Finance, Power Supply & Rates for Paducah Power System, by October 27.

## **V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR**

### **A. Accounting Department Assistance**

The Accounting Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, certain schedules and explanations.

### **B. Electronic Data Processing Assistance**

Management Information Systems personnel will be available to provide systems documentation and explanations. The auditor will be provided with computer time and the use of Utilities' hardware and software for the preparation of accounts receivable confirmations.

### **C. Work Area, Telephone, Photocopying and Fax Machines**

Chairs, desks and reasonable workspace will be provided to the audit firm. The auditor will also be provided access to telephones, photocopying facilities and fax machines, subject to standard Board restrictions.

### **D. Report Preparation**

Report preparation, editing, printing and assembly shall be the responsibility of the audit firm.

## **VI. PROPOSAL REQUIREMENTS**

### **A. General Requirements**

#### **1. Inquiries**

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

City of Paducah, KY  
Jonathan Perkins, CPA, Director of Finance  
P. O. Box 2267  
Paducah, KY 42002-2267

#### **2. Submission of Proposal**

The following material is required to be received by 2:30 p.m., November 15, 2022, for a proposing firm to be considered.

The first sheet should consist of the Cost Portion of Bid Proposal. Following the Cost Portion of the Bid should be the Technical Proposal. All sealed bids should include an

original and two (2) copies of the auditor's proposal.

When submitting the Bid Proposal, the following information must appear on the outside of the envelope:

**BID PROPOSAL  
PROFESSIONAL AUDITING SERVICES  
FOR ELECTRIC PLANT BOARD OF THE CITY OF PADUCAH  
[Current Date]**

Proposers shall send the completed proposal to the following addresses:

City of Paducah, KY  
Jonathan Perkins, CPA, Director of Finance  
P. O. Box 2267  
Paducah, Kentucky 42002-2267

or hand delivered to the City of Paducah, Jonathan Perkins, CPA, Director of Finance, 300 S. 5<sup>th</sup> Street, Paducah, Kentucky 42001

Paducah Power System  
Doug Handley, Director of Finance, Power Supply & Rates  
P O Box 180  
Paducah, KY 42002-0180

or hand delivered to Paducah Power System, Doug Handley, Director of Finance, Power Supply & Rates, 1500 Broadway, Paducah, Kentucky 42001

**B. Cost Portion of the Bid Proposal**

The cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

Neither the City of Paducah nor Paducah Power System will be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The cost bid should include the following information:

1. Name of Firm
2. Breakdown of yearly audit cost
3. Total All-Inclusive Price for the Fiscal Years of the contract term
4. Proposed Manner of Payment

According to KRS 96.840, Paducah Power System will be responsible for the payment of all expenses related to the annual audit.



## C. Technical Portion of Bid 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 Paducah Power System in conformity with the requirements of this request for proposals. 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 particular 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 of the points outlined in the request for proposals. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects will represent the criteria against which the proposal will be evaluated.

### 2. Independence

The firm should provide an affirmative statement that it is independent of the City of Paducah and Paducah Power System as defined by generally accepted auditing standards.

### 3. License to Practice in Kentucky

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly registered/licensed to practice in Kentucky.

### 4. State Board of Accountancy Correspondence

Copies of any correspondence to or from the State Board of Accountancy concerning the firm and any local government or utility audit should be provided. The firm should provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past four (4) years with state regulatory bodies or professional organizations.

### 5. Firm Qualifications and Experience

The proposal should state the size of the firm and staff, and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

### 6. Engagement 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. The firm should also provide information on the utility auditing experience of each person relevant to the performance of this audit. The firm should provide as much information as possible regarding the number, qualifications, experience

and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured. The firm should specifically provide information regarding their experience with utility power or energy cost adjustments.

#### 7. Similar Engagements with Other Utilities

For the firm's office that will be assigned responsibility to the audit, list the most significant engagement (maximum of three) performed in the last five years that are similar to the engagement described in this request for proposals.

#### 8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City of Paducah or Paducah Power System.

### **VII. EVALUATION PROCEDURES**

#### A. Management Committee

All proposals will be evaluated by a Management Committee, consisting of representatives from the City of Paducah and Paducah Power System.

#### B. Retention of Proposals

The City of Paducah reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected for the engagement.

#### C. Evaluation Criteria

Proposals will be evaluated based on their cost proposal and technical proposal with the later holding more weight. The following represent the principal selection criteria, which will be considered during the evaluation process:

##### 1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Kentucky.
- b. The audit firm's professional personnel are qualified to provide an extensive audit.
- c. The firm adheres to the instructions in this request for proposals on preparing and submitting proposals.

##### 2. Technical Qualifications

- a. Expertise and Experience
- b. The firm's past experience and performance on comparable utility engagements.

- c. The quality of the firm's personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

### 3. Price

#### D. Oral Presentations

During the evaluation process, the Management Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Management Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

#### E. Right to Reject Proposals

Submission of proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal. The City of Paducah reserves the right without prejudice to reject any or all proposals.