

RESOLUTION NO \_\_\_\_\_

A RESOLUTION AUTHORIZING THE CITY FINANCE OFFICER TO EXECUTE AN AGREEMENT WITH HENDERSON, HUTCHERSON & MCCULLOUGH, PLLC RELATING TO EXTERNAL AUDIT SERVICES, IN THE AMOUNT OF ONE HUNDRED TWENTY-EIGHT THOUSAND TEN DOLLARS (\$128,010.00).

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BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE, that it is hereby authorizing the City Finance Officer to execute an agreement with Henderson, Hutcherson & McCullough, PLLC relating to external audit services, in the amount of \$128,010.00.

Pursuant to responsibility assigned by City Charter Section 3.117(c), the Audit Committee administered a request for proposal process for external financial statement and services with assistance from the City's Purchasing Division. As a result of this process, the firm of Henderson, Hutcherson & McCullough was selected by the Audit Committee to perform external audit services for the next five (5) years, subject to annual renewal. As a professional service, this was not a competitive bid. However, fee information for the five (5) firms responding to the request is attached. Cost is for Fiscal Year ending June 30, 2016, audit (one year only).

ADOPTED: \_\_\_\_\_, 2016

/mem

# City of Chattanooga



## Resolution Request Form

(This form is only required for resolutions requiring expenditure of City funds)

Date Prepared: 03/09/2016

Preparer: Stan Sewell

Department: Office of Internal Audit

### Brief Description of Purpose for Resolution:

Resolution Number (if approved by Council): \_\_\_\_\_

Authorize the City Finance Officer to execute an agreement relating to external audit services.

Pursuant to responsibility assigned by City Charter Section 3.117 (C), the Audit Committee administered an request for proposal process for external financial statement audit services with assistance from the City's Purchasing Division. As a result of this process, the firm of Henderson Hutcherson & McCullough was selected by the Audit Committee to perform external audit services for the next five years, subject to annual renewal. As a professional service, this was not a competitive bid. However, fee information for the five firms responding to the request is attached. Cost listed below is for the fiscal year ending June 30, 2016 audit (one year only).

Name of Vendor/Contractor/Grant, etc.	<u>HHM</u>
Total project cost \$	<u>128,010.00</u>
Total City of Chattanooga Portion \$	<u>0</u>
City Amount Funded \$	<u>0</u>
New City Funding Required \$	<u>0</u>
City's Match Percentage %	<u>                    </u>

New Contract/Project? (Yes or No)	<u>Yes</u>
Funds Budgeted? (YES or NO)	<u>Yes</u>
Provide Fund	<u>1100</u>
Provide Cost Center	<u>A20601</u>
Proposed Funding Source if not budgeted	<u>                    </u>
Grant Period (if applicable)	<u>                    </u>

### List all other funding sources and amount for each contributor.

<u>Amount(s)</u>	<u>Grantor(s)</u>
\$ _____	_____
\$ _____	_____
\$ _____	_____

Agency Grant Number \_\_\_\_\_

CFDA Number if known \_\_\_\_\_

Approved by: \_\_\_\_\_

Reviewed by: FINANCE OFFICE

DESIGNATED OFFICIAL/ADMINISTRATOR

Please submit completed form to @budget, City Attorney and City Finance Officer

**City of Chattanooga External Audit Submissions  
Estimated Fees by Firm**

<b>Estimated Fees</b>	<b>HHM</b>	<b>EDD</b>	<b>Crosslin</b>	<b>TPSA</b>	<b>M&amp;J</b>
<b>City</b>	\$ 105,820	\$ 94,000	\$ 117,000	\$ 67,800	\$ 106,500
<b>IDB</b>	\$ 9,690	\$ 12,000	\$ 6,500	\$ 4,885	\$ 9,675
<b>Chattanooga</b>	\$ 12,500	\$ 7,400	\$ 8,000	\$ 8,905	\$ 9,400
<b>CDRC</b>	\$ -	\$ 3,600	\$ 5,500	\$ 7,910	\$ 5,125
<b>FYE2016 Total</b>	<u>\$ 128,010</u>	<u>\$ 117,000</u>	<u>\$ 137,000</u>	<u>\$ 89,500</u>	<u>\$ 130,700</u>
<b>2017</b>	\$ 131,630	\$ 121,000	\$ 139,000	\$ 89,500	\$ 136,950
<b>2018</b>	\$ 135,330	\$ 124,750	\$ 143,000	\$ 89,500	\$ 142,400
<b>2019</b>	\$ 139,160	\$ 128,500	\$ 147,500	\$ 89,500	\$ 144,750
<b>2020</b>	\$ 143,100	\$ 132,500	\$ 152,000	\$ 89,500	\$ 150,200

Proposal to Provide Audit Services to  
**City of Chattanooga, Tennessee  
and Related Entities**

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SUBMISSION DATE

February 01, 2016

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CONTACT

Jason Martin, CPA, CFE, MBA  
423.756.7771  
jasonm@hmcpcas.com



CERTIFIED  
PUBLIC  
ACCOUNTANTS

1200 Market Street  
Chattanooga, TN 37402

423.756.7771  
www.hmcpcas.com

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HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC

Certified Public Accountants

February 1, 2016

Dedra Partridge, Buyer  
City of Chattanooga  
Purchasing Division  
101 East 11th Street  
Chattanooga, TN 37402

Re: Executive Summary

To the City Finance Officer, Purchasing Agent, City Auditor, and  
members of the Audit Committee:

We are happy to offer this proposal for audit services for the City of Chattanooga, Industrial Development Board of the City of Chattanooga and the Chattanooga Conference Center.

As the current auditors, we are familiar with the performance specifications included in the Request for Qualifications (RFQ) and are prepared to continue to meet and exceed your expectations. Our staff is well-trained and knowledgeable with years of experience providing audit services to local governments, nonprofit organizations, and large and small businesses.

For over thirty years, HHM has provided outstanding service to Chattanooga area businesses and organizations, while raising the audit quality standard of excellence. Our clients enjoy our approach to providing professional, independent services with a friendly, team member spirit.

As Chattanooga's largest locally-owned Certified Public Accounting Firm, we have a commitment to the well-being of our City. During 2015, HHM contributed \$264,108 to local nonprofit organizations. This does not include monetary contributions made by the partners and employees or their contributions of time and talent.

At HHM, we recognize the importance of prompt and effective service of the highest quality. Located one block away from City Hall in the historic Freight Depot, we are readily available to respond to questions from all levels of City government.

We look forward to continuing our relationship with the City as your auditors.

Yours truly,

A handwritten signature in black ink that reads "Ladell McCullough".

Ladell McCullough, CPA  
For the Firm

# Profile of HHM, PLLC

As one of the area's leading accounting firms, Henderson Hutcherson & McCullough, PLLC, of Chattanooga, TN, is uniquely positioned to provide financial auditing and compliance services for The City of Chattanooga, TN. HHM currently provides audit services to the City and has a strong working relationship with the staff as well as the Audit Committee. Our specialty niche in auditing governmental agencies, local governments and nonprofit organizations across the state of Tennessee gives our firm an advantage in industry knowledge which allows us to provide high quality services at a competitive price.

For over three decades, HHM has provided comprehensive accounting, assurance and tax services to clients across the country. With the combined experience and knowledge of our 13 partners and more than 70 managers and staff, our strengths are numerous. This allows us to allocate the best resources and bring a focused approach to your engagement. We desire to establish a long-standing relationship with The City of Chattanooga, TN. Our ultimate measure of success is your satisfaction.



## ■ NON-TRADITIONAL ACCOUNTING SERVICES

- Operational Review
- Standard Costing
- Expense Analysis & Control
- Accounting Staff Training
- Business Performance Analysis Forecasting
- Financing Alternatives & Capital Analysis
- Internal Controls
- Cost Segregation Studies
- Employee Benefit Plans

## ■ TRADITIONAL ACCOUNTING SERVICES

- Tax Planning / Preparation
- Assurance Services
- Estate Planning
- Succession Planning
- Business Valuations
- 401(k ) Plan Services/ Investment Services
- Litigation Support
- Educational Seminars

# Firm Qualifications

Henderson Hutcherson & McCullough, PLLC ("HHM") is licensed through the Tennessee State Board of Accountancy. All assigned key professional staff are properly licensed, and the firm undergoes a rigorous peer review every three years under the auspices of the American Institute of Certified Public Accountants (AICPA) Peer Review Board. We are pleased to report that all reviews of the firm have resulted in passed reports. A copy of our most recent report is attached. HHM is also registered with and inspected by the Public Company Accounting Oversight Board (PCAOB). We are pleased to report that the inspections by the PCAOB have also resulted in passed reports.

The firm realizes the importance of quality in its accounting and auditing practice and is a member of the AICPA Center for Audit Quality, the AICPA Government Audit Quality Center, and the AICPA Employee Benefit Plan Audit Quality Center.

HHM is a trusted advisor within the accounting industry as well. We are called upon to perform approximately 20 peer reviews of other CPA firms each year, and we work closely with several smaller firms to provide consultation, particularly in the area of yellow book auditing and financial statement preparation in accordance with GASB reporting standards.

All HHM team members adhere to the requirements for Continuing Professional Education (CPE) of the Tennessee State Board of Accountancy, the yellow book, and the AICPA. The partners and staff of HHM have a wealth of knowledge in auditing and accounting for local governments; Ladell McCullough and Jason Martin have substantial experience in auditing governmental entities and programs, having performed numerous audits in accordance with *Government Auditing Standards*, most recently serving as auditors for the Tennessee Cities of Chattanooga, Pikeville and East Ridge, and McMinn County Tennessee. In prior years we have performed the audit for Hamilton County.

## STANDARD OF EXCELLENCE

While serving as your auditors, the "Certificate for Excellence in Financial Reporting" was awarded each and every year. Jason Martin currently serves on the GFOA Special Review Committee. In this capacity, Jason reviews a variety of comprehensive annual financial statements (CAFR) for compliance with standards and the awarding of the "Certificate for Excellence in Financial Reporting".

In addition, we have an audit team experienced in *Government Auditing Standards*, the Single Audit Act, and the unique audit and reporting requirements of governmental entities. Each member of your audit team receives continuing education training in governmental accounting and auditing to meet or exceed the requirements of *Government Auditing Standards*. We presently have 18 professionals with experience and training with local governments, nonprofits, and Single Audits.

# Firm Qualifications

HHM maintains an alliance with BDO, LLP, which ensures that our clients receive the knowledge and resources offered by the world's fifth largest accounting and consulting organization, with more than 600 member firms in more than 100 countries.

BDO USA, LLP and the BDO USA Alliance firms are leaders in the accounting profession.

## THIS ALLOWS HHM TO:

- + Enhance client services & broaden capabilities
- + Expand domestic & international coverage
- + Gain greater technical expertise in speciality areas
- + Utilize specialists with experience in a wide range of industries
- + Access the most up-to-date technical information
- + Participate in the latest training programs
- + Utilize custom, state-of-the-art computer programs
- + Provide key business contacts across the country
- + Gather input from CPA and SEC specialists on complex or unusual issues
- + Provide our clients with a variety of general and industry specific publications

## CONFLICTS OF INTEREST

We are not aware of any conflicts of interest that would prohibit us from performing the audit of the City of Chattanooga, TN.

# Service Excellence

The term service is sometimes equated with receiving a required or demanded accommodation, such as phone service, water service and yes, tax service. HHM works to be more than a basic service provider; we want to partner with The City of Chattanooga, TN in a professional relationship built on close communication. Our preeminent service-oriented philosophy has enabled us to secure significant client relationships spanning more than 30 years. Our firm offers responsive service and does not believe in issuing change orders to our contracted price when responding to the City's needs. This is simply the way we do business.

## WHY TRUST HHM?

### ① RESPONSIVENESS

We promptly respond to and address your concerns and needs. Our service teams have significant firm resources at their disposal to respond quickly to your needs, should additional expertise or personnel be required. HHM will have an engagement team picked for you with the expertise and experience to perform the audit in an efficient and professional manner.

### ② PROACTIVE

HHM will invest time into understanding your business through a scheduled day of looking through the management financials and general ledger detail in advance of the fieldwork dates. This ensures our understanding of your management reports and how you do business. This is productive time that will allow us to collect all organizational documents and schedules that HHM needs to complete our permanent files before the audit begins.

### ③ ACCESSIBILITY

You will have access to each member of your service team at all times. Clients are very complimentary of our low staff to partner ratios. Our extensive partner involvement provides you with experienced guidance and reliable service. You will have the office and cell phone numbers of each of your team members and you will be encouraged to communicate with any one of them, from the partner in charge to the accountant performing the engagement.

### ④ COMMUNICATION

Our service teams are constructed to foster consistent and effective communication. This is imperative to understanding your organization and providing proactive advice and counsel. We encourage regular meetings to devise the best ideas, strategies, and plans for achieving your goals and objectives.

# Team

We understand your needs, and have assessed the various skills, backgrounds and personalities of our staff to find the people whose credentials are ideal for you.

These professionals will lead your engagement. Individual bios are attached.



LADELL McCULLOUGH, CPA  
Partner



JASON MARTIN, CPA, CFE, MBA  
Senior Manager



KHARA LOUNSBURY, CPA, CFE  
Manager



ZACH HUTCHERSON, CPA, MBA  
Supervisor



WESTON J. PORTER  
Senior Accountant



DAKOTA WILLAMS  
Senior Accountant

Other staff members will be assigned to assist in the completion of audit field work. We employ a specialty team approach so the people experienced with your industry will be on-site reviewing your books and records. The team of professionals selected as your service team have strong backgrounds in assisting clients similar in size and scope to the City. Our size allows us to staff the audits to ensure that we are able to begin and finish our engagements in a timely manner.

It is our goal to maintain consistency in staff assigned to engagements each year. We believe this provides great value to our clients in both efficiency and expertise, as well as just having a familiar face to see and telephone number to call. We have been fortunate over the last few years in that staff turnover has been minimized when compared to other CPA firms. Our turnover has come primarily from staff pursuing careers in private industry. We seek to retain staff by focusing first on the initial hiring process and then providing training, opportunities for advancement, and a positive work environment.



LADELL McCULLOUGH, CPA  
Partner

423.702.7268 | [lmccullough@hmcpcas.com](mailto:lmccullough@hmcpcas.com)

Ladell is attributed with many firsts in Chattanooga. In May of 1976, she began her career with a local accounting firm as the first woman to obtain a position there. In 1985, Ladell became the first woman in Chattanooga to be admitted to partnership in a large accounting firm when she was named partner at HHM. She became HHM's managing partner in 1996, making her the first female managing partner of a large Chattanooga professional services firm.

Today, Ladell leads the firm's Accounting & Assurance Department toward operational excellence in the delivery of client services. In mentoring the young women and men of HHM, she encourages the development of leadership skills through book clubs and in-house training.

## I EDUCATION

- Middle Tennessee State University, BBA Accounting

## I PROFESSIONAL & OUTSIDE AFFILIATIONS

- American Institute of Certified Public Accountants
- Tennessee Society of Certified Public Accountants, Professional Ethics Committee
- UTC School of Business, Executive Advisory Council
- Bright School, Board of Trustees
- United Way, Tocqueville Society
- Women's Leadership Institute, Past President
- Rotary Club of Chattanooga, Paul Harris Fellow
- AICPA Peer Review Committee, Former Member
- TSCPA Peer Review Committee, Former Member
- United Way, Board of Directors
- UC Foundation, Board of Directors
- Cornerstone Bancshares Foundation, Board of Directors
- Chamber of Commerce, Small Business and Entrepreneurship Committee

## I AREAS OF CONCENTRATION

- Construction
- Nonprofit and Governmental
- Manufacturing and Distribution
- Accounting & Assurance
- Emerging Business & Startup Services
- Performance Measures
- Audits, Reviews and Compilations
- Financial Statements
- Agreed-Upon Procedures
- Business Accounting

## I AWARDS

- 2006 Unbought and Unbossed Award by Girls, Inc.
- 1999 Jane Cosby Henderson Woman of Achievement Award
- 1998 Accountant of the Year, Beta Alpha Psi, UTC



JASON MARTIN, CPA, CFE, MBA  
Senior Manager

423.702.8381 | jasonm@hmcpcas.com

As a senior manager in HHM’s Accounting and Assurance group, Jason oversees audit, assurance and attest services for a variety clients within the governmental and private arenas. Jason specializes in servicing state and local governments, stand-alone enterprise funds, and utility districts. His resume also includes providing accounting and assurance services to a wide variety of private clients including start-ups, auto dealerships, private equity funds, management services companies, fuel distributors, and many others. With over a decade of experience in working with a diverse clientele, his knowledge and experience has proven to be a great value to the Firm’s clients. Jason believes in building long-term relationships with clients and cites personalized service as the key to his success.

Jason also specializes in performing a wide variety of fraud investigative and forensic services for many of the firm’s clients. Jason is highly skilled at conducting detailed fraud risk assessments and fraud examinations in the public and private sectors, as well as the not-for-profit segments. His fraud risk assessments encompass the entire business risk including financial statement fraud, employee malfeasance, and internal control analysis. His analytical abilities, along with his experience in conducting and overseeing investigative interviews and detailed fraud engagements, make him invaluable to the firm’s fraud services team.

## I EDUCATION

- Georgia Southwestern State University, Master of Business Administration
- Albany State University, Bachelor of Science, Accounting, Magna Cum Laude

## I PROFESSIONAL & OUTSIDE AFFILIATIONS

- Tennessee Society of Certified Public Accountants
- Governmental Finance Officers Association, Special Review Committee
- LAUNCH, Board Treasurer
- Chattanooga Kids on the Block, Board Member
- National Memorial for the Unborn (NMU), Former Board Member
- Habitat for Humanity, Board Member
- American Institute of Certified Public Accountants
- Association of Certified Fraud Examiners

## I AREAS OF CONCENTRATION

- Nonprofit and Governmental
- Accounting & Assurance
- Fraud & Investigative Services
- Peer Reviews

## I AWARDS

- Top 20 Under 40, Chatter Magazine
- Leadership Chattanooga, Class of 2014



**KHARA LOUNSBURY, CPA, CFE**  
Manager

423.702.8396 | klounsbury@hnmcpas.com

Khara joined HHM in 2009 and is currently a Manager in HHM's Accounting and Assurance group. Khara works primarily with assurance services leading, planning, and performing audits as well as reviews and compilations. In addition to serving manufacturing and distribution, employee benefit plans, nonprofit and governmental clients, she also prepares individual and small business returns. As a Certified Fraud Examiner, Khara assists clients by examining and identifying fraud issues within organizations.

Prior to arriving at HHM, Khara worked in the medical field for 10 years. This experience brings an attitude of teamwork, empathy, care and understanding as she serves her business clients throughout each project.

## EDUCATION

- University of Tennessee at Knoxville, Master of Science
- University of Tennessee at Chattanooga, Bachelor of Science

## PROFESSIONAL & OUTSIDE AFFILIATIONS

- American Institute of Certified Public Accountants
- Friends of Chickamauga & Military Park Board, Treasurer
- Junior League, Sustaining Member
- Tennessee Society of Certified Public Accountants
- PINK! Committee Member
- Association of Certified Fraud Examiners, Board Member

## AREAS OF CONCENTRATION

- Nonprofit and Governmental
- Employee Benefit Plans
- Manufacturing and Distribution
- Accounting & Assurance
- Fraud & Investigative Services
- Small Business & Individual Tax
- HUD Engagements



ZACH HUTCHERSON, CPA, MBA  
Supervisor

423.702.8150 | zhutcherson@hmcpcas.com

Zach joined HHM in January 2011, and is a supervisor with HHM's Accounting and Assurance group. Zach serves businesses within a broad range of industries such as manufacturing, nonprofit and automotive dealerships. His specializations include audit, tax and employee benefit plans. Zach also works with small business owners and individuals.

An avid guitar player, Zach once considered a career as a professional musician, but an Intro to Accounting class in college changed his mind. He switched his major from history to accounting and never looked back. Zach graduated from Samford University with Masters degrees in both Accounting and Business Administration.

## EDUCATION

- Samford University, Master of Accountancy, Master of Business Administration
- University of Tennessee at Chattanooga, Bachelor of Science in Accounting

## PROFESSIONAL & OUTSIDE AFFILIATIONS

- TSCPA, Member
- Young Professionals Association of Chattanooga (YPAC), President
- Protege Chattanooga Graduate
- United Way, Appropriation Committee

## AREAS OF CONCENTRATION

- Employee Benefit Plans
- Dealerships
- Construction
- Manufacturing and Distribution
- Accounting & Assurance
- Management Advisory
- Emerging Business & Startup Services
- Tax Planning & Compliance
- Business Accounting
- Audits, Reviews and Compilations
- Small/Emerging Business Tax
- Financial Reporting



WESTON J. PORTER  
Senior Accountant

423.702.8382 | wporter@hmmcpas.com

As part of HHM's Accounting and Assurance group, Weston performs a wide variety of tasks from audit work to bookkeeping for small businesses to preparing tax documents for nonprofit clients. He joined the firm in 2012 after completing his accounting degree at UTC.

Realizing his proficiency for numbers early in life, Weston worked for six years in bookkeeping and managerial roles at Bi-Lo grocery stores beginning his senior year of high school. His strong work ethic and customer service experience serve him well in his current role, as he always strives to see every client need through to completion.

## EDUCATION

- University of Tennessee at Chattanooga, Bachelor of Science in Accounting

## PROFESSIONAL & OUTSIDE AFFILIATIONS

- Tennessee Society of Certified Public Accountants (TSCPA)
- Chattanooga Autism Center, Treasurer

## AREAS OF CONCENTRATION

- Accounting & Assurance
- Governmental and Non Profit
- Construction
- Manufacturing



DAKOTA WILLIAMS  
Senior Accountant

423.702.8387 | [dwilliams@hmmcpas.com](mailto:dwilliams@hmmcpas.com)

Dakota joined HHM's Accounting and Assurance department in 2013 shortly after graduating from UTC. Naturally outgoing, he enjoys the relationships he is able to build with each client, allowing him to better meet their diverse needs.

Before graduation, Dakota worked two years at a local accounting firm handling bookkeeping and preparing tax returns. He also completed an internship in HHM's processing department during his final semester at UTC. Always looking for a new challenge, he completed the Young Professional Association of Chattanooga's Protege Chattanooga program, where he interacted with fellow young professionals and community leaders.

## EDUCATION

- University of Tennessee at Chattanooga, Bachelor of Science, Accounting

## PROFESSIONAL & OUTSIDE AFFILIATIONS

- United Way
- Young Professionals Association of Chattanooga (YPAC)
- Tennessee Society of Certified Public Accountants (TSCPA)
- Young Professionals Association of Chattanooga (YPAC), Protege Chattanooga Graduate 2015

## AREAS OF CONCENTRATION

- Accounting & Assurance

# References

The partners and staff of HHM are active in the community and are dedicated to giving back to the community by trying to make a difference. We have been privileged to work with many of our commissioners and members of the audit committee.

HHM has provided audit and accounting services to several local governments and federal government agencies. The references listed below are representative of our work with local governments and nonprofits. Please contact them for candid feedback.

## McMINN COUNTY, TN

Services: Audit / A-133  
Contact: Jason Luallen  
Director of Finance  
423.745.4103

## CITY OF CHATTANOOGA, TN

Services: Audit / A-133  
Contact: Daisy W. Madison  
City Finance Officer  
Phone: 423.757.5232

## ELECTRIC POWER BOARD OF CHATTANOOGA (EPB)

Services: Audit/A-133  
Contact: Greg Eaves  
CFO / Vice President  
Phone: 423.648.1388

## SOUTHEAST TENNESSEE HUMAN RESOURCES AGENCY

Services: Audit / A-133  
Contact: Len Roberts  
Director of Finance  
Phone: 423.949.2191

## CITY OF PIKEVILLE, TN

Services: Audit  
Contact: Philip Cagle  
Mayor  
Phone: 423.447.2919

# Peer Review Letter

Please note: Our most recent peer review for the year ended May 31, 2015 has been completed and submitted to the National Peer Review Committee for approval. We will provide the 2015 letter upon receipt of the approval letter.



## Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 609 □ 405 Second Street □ Manchester, GA 31816  
(706) 846-8401 □ Fax (706) 846-3370

### SYSTEM REVIEW REPORT

To the owners  
Henderson Hutcherson & McCullough, PLLC  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Henderson Hutcherson & McCullough, PLLC (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2012. Our review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Henderson Hutcherson & McCullough, PLLC applicable to non-SEC issuers in effect for the year ended May 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Henderson Hutcherson & McCullough, PLLC has received a peer review rating of *pass*.

A handwritten signature in blue ink, appearing to read 'AJ&amp;K' followed by a flourish.

Manchester, Georgia  
September 20, 2012

MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

# Our Approach

Factors that differentiate HHM from other accounting firms include our efforts to understand your organization fully before we begin our work. We utilize our time as a tool for generating insightful and constructive suggestions that can result in improved operations and management information, as well as operating and accounting procedures and controls.

We will perform 80% of the work on site and will work with minimal interruption to your staff. We will provide you and your staff a letter outlining the necessary information we would like to have made available upon arrival.

HHM has a comprehensive and customized audit approach, built on frequent communication with the client, to help you assess your risk and improve your risk management capabilities. Proper planning is the only method of achieving maximum efficiency and reducing the risk of surprises during year-end fieldwork. Therefore, our audit process utilizes the latest technology to focus on critical issues and audit risks during the planning phase. To this end, we conduct our audits in two phases - the preliminary fieldwork phase and the final fieldwork phase.

Our process methodology includes detailed assessments that enable us to focus our review on areas of importance and greatest risks of material misstatement. To ensure that occurs, we emphasize the following performance attributes:

## PRELIMINARY FIELDWORK

Our preliminary fieldwork will include gathering information about your operations, evaluating the reliability of our internal controls, and identifying complex or unusual accounting issues that need to be addressed early in the audit process.

## FINAL FIELDWORK

During final fieldwork at your organization, we will look for opportunities to improve your operations. Working on site simply allows us to become a better advisor to you. Final fieldwork will generally take place after end-of-year close. A draft of the financial statements and report, and any adjusting journal entries, will be reviewed with management during final fieldwork.

## FINAL WRAP-UP MEETING

We are more than a "commodity" auditor. We want all of our clients to succeed and improve their financial reporting process. At the completion of our audit, we communicate opportunities for improvement to those in charge. Our experience auditing entities your size becomes one of the greatest values to The City. While the items we communicate have no effect on the audit and financial statement, we use this time to share industry best practices.

# Our Approach

## I COMPLIANCE REVIEW

HHM will perform compliance testing procedures in accordance with Government Auditing Standards, and will issue compliance reports on internal control over financial reporting and compliance with matters based on an audit of the financial statements. We perform compliance tests to ensure that The City of Chattanooga, TN is operating in accordance with applicable laws and regulations. We will also perform audit procedures in accordance with OMB Circular A-133 Compliance Supplement and report on the The City of Chattanooga, TN's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with OMB Circular A-133.

Necessary accounting staff hours will be kept at a minimum provided the required work papers and information are provided to our staff in a timely manner to help us efficiently complete our audit procedures.

We emphasize the following performance attributes to ensure a timely audit:

- We believe that proactive planning is imperative. We work to ensure our audit plan approach properly considers your timetable.
- We gather information to ensure that all changes to financial reporting criteria as well as complex or unusual accounting issues are addressed early in the audit process.
- Timely concurring partner reviews are performed on all audit engagements. Not only does this ensure that the engagement team has complied with all internal requirements, but it also provides management further assurance that the integrity of the financial information provided is of the highest quality.



# Your Engagement

Each of HHM's engagements is unique. Yours is no different. We take great care in understanding each client's needs and design our work accordingly. We will meet with key members of your management to understand your needs and goals.

## I TIMING

Planning and scheduling are vital in completing a successful audit and begin good communication. We always strive to be responsive and in constant contact throughout the entire process to make sure your goals are met.

Planning will occur upon acceptance of the engagement. During this time, we will perform walk-throughs and tests of internal controls and develop our audit plan for fieldwork during the preliminary phase. This phase will also result in a list of documents that will be necessary when we return for final fieldwork.

## I AUDIT PROCEDURES

Our audits are designed and managed in accordance with generally accepted auditing standards (also referred to as GAAS). These professional standards require us to use our judgment on how we plan and perform audit procedures. Based on our understanding of The City and its programs, we don't believe that any extraordinary procedures will be required and will be generally limited to standard internal control and substantive testing as dictated by our professional standards.

The timely completion of the engagement is dependent on the prompt response from The City's accounting personnel. Before the audit begins, we will provide a list of the items we need before beginning fieldwork. These items include various types of underlying documentation and supporting schedules.

## I OTHER SPECIFIC CHARACTERISTICS OF YOUR ENGAGEMENT

Additionally, we are able to meet other criteria that you have specified:

- We will provide copies of the audited financial statements and the management letter to the City in any quantity requested.
- We will present the audited financial statement and the management letter to the The City of Chattanooga, TN's Audit Committee.

# Proven Commitment to Our Community

One important aspect of our firm is our responsibility as one of the area's best corporate citizens. At HHM, the firm and its employees commit many hours and dollars giving back to the Chattanooga community. This is simply our responsibility. One of our core values reads, "we support our community and encourage individual involvement in it," and we live by that core value. Detailed below is a list (which is just a sample) naming some of the not-for-profit organizations with which our employees volunteer their time, either as board or committee member. In addition to our involvement in organizations, our firm has constructed two Habitat for Humanity homes in the past few years. During 2015, we contributed over \$264,108 to various not-for-profit organizations. This does not include monetary contributions of the partners and staff or contributions of time and talent.

Each of our 13 partners, as well as several staff members, give at or above Leadership Level to the United Way, and two of our partners are members of the Tocqueville Society.

In summary, HHM has worked to be a leader and a contributor to our community. We hope that our commitment to this city, through manpower and financial support, will illustrate our intense desire to be given the opportunity to serve as the City of Chattanooga's auditors.

The firm is also an active supporter of community growth through our involvement in the Chamber of Commerce's Can-Do Initiative and is a Silver Level Chamber Champion. HHM is also proud to be one of only four companies in the city to serve as a Corporate Cornerstone Partner for the United Way, the highest level of sponsorship attainable.

We feel our firm's name is synonymous with good stewardship in our community.



# Firm Recognition

FOR OUR COMMITMENT TO CORPORATE RESPONSIBILITY

2015

Inside Public Accounting Best of the Best Firms Top 50 & Top 100 Firm  
Inside Public Accounting Fastest Growing Firm  
Chamber of Commerce Small Business of the Year Finalist, 51-200 Category

2013

Inside Public Accounting Best of the Best Firms Top 50

2009

Best of the Best Accounting Firms to Work for by Accounting Today

2008

Corporate Philanthropist of the Year from the Association of Fundraising Professionals, Southeastern Tennessee Chapter  
Cornerstone Historic Preservation Award

2007

Young Professionals Friendly Employer of the Year

2006

Chattanooga American Business Ethics Award

2005

Chattanooga Area Chamber of Commerce Small Business of the Year



# 2015 Contributions

The following list is a sampling of the community organizations we support:

- AIM Center
- American Heart Association
- American Red Cross
- Arts Build
- Association for Visual Arts
- Bethel Bible Village
- Big Brothers/Big Sisters
- Boys and Girls Club
- Bright Bridge
- Causeway
- Chambliss Center
- Chattanooga Cares
- Chattanooga Chamber of Commerce
- Chattanooga Chamber Foundation
- Chattanooga Area Dental Society
- Chattanooga Regional Manufacturers Association
- Chattanooga Room in the Inn
- Chattanooga State/TSBDC
- Chattanooga Symphony and Opera
- Chattanooga Technology Council
- Chattanooga Theatre Centre
- Chattanooga Women's Leadership
- Chattanooga Zoo
- Cherokee Council BSA
- Colon Cancer Coalition
- Community Fund of Chattanooga
- Cornerstones, Inc.
- Creative Discovery Museum
- Erlanger Health System Foundation
- Friends of Special Children
- Habitat for Humanity
- Hunter Museum of Art
- Junior Achievement
- Chattanooga Kids in the Block
- Land Trust for TN
- Launch Chattanooga
- McKamey Animal Center
- Medical Foundation of Chattanooga
- Memorial Health Care Foundation
- Northside Neighborhood House
- Partnership for Families, Children
- River City Company
- Ronald McDonald House
- Rotary Club of Chattanooga
- Signal Centers
- Siskin Children's Institute
- Siskin Hospital for Rehabilitation
- St. Jude's
- Univ of TN
- Univ of TN Foundation
- Univ of TN College of Business
- The Company Lab
- The Urban League of Greater Chattanooga
- TN River Gorge Trust
- Trust Public Land
- United Way
- WTCI
- YMCA
- YPAC

# Attachments

## Affirmative Action Plan

The City of Chattanooga is an equal opportunity employer and during the performance of this Contract, the Contractor agrees to abide by the equal opportunity goals of the City of Chattanooga as follows:

1. The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, or handicap. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, national origin, or handicap. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
2. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, or handicap.
3. The Contractor will send to each labor union or representative of workers with which he/she has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representatives of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
4. During the term of all construction contracts or subcontracts in excess of \$10,000 to be performed for the City of Chattanooga, the following non-discriminatory hiring practices shall be employed to provide employment opportunities for minorities and women:
  - a. All help wanted ads placed in newspapers or other publications shall contain the phrase "Equal Employment Opportunity Employer".
  - b. Seek and maintain contracts with minority groups and human relations organizations as available.
  - c. Encourage present employees to refer qualified minority group and female applicants for employment opportunities.
  - d. Use only recruitment sources which state in writing that they practice equal opportunity. Advise all recruitment sources that qualified minority group members and women will be sought for consideration for all positions when vacancies occur.

5. Minority statistics are subject to audit by City of Chattanooga staff or other governmental agency.
6. The Contractor agrees to notify the City of Chattanooga of any claim or investigation by State or Federal agencies as to discrimination.

Ladell McCullough, CPA  
(Signature of Contractor)

Member:  
Henderson Hutcherson & McCullough PLLC  
(Title and Name of Company)

2-1-16  
(Date)

# **Request for Qualifications**

## **Financial and Compliance Audit Services**



**Audit Committee**

**City of Chattanooga, Tennessee  
and Related Entities**

**December 2015**

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**Audit Committee of the City of Chattanooga, Tennessee**  
**Request for Qualifications**  
**Financial and Compliance Audit**

## **1 Introduction**

### **1.1 Purpose**

Pursuant to the Sec. 3.117 (C) of the Charter of the City of Chattanooga and to facilitate compliance with TCA 6-56-105 (a), the Audit Committee of the City of Chattanooga has issued this request for qualifications to independent Certified Public Accountants who are qualified under Tennessee state laws and regulations, for the performance of a financial and compliance audit of the City of Chattanooga (City), including related entities.

The comprehensive financial and compliance audit shall be of the incorporated City of Chattanooga including all boards, agencies, authorities and component units. Such organizations and/or units will include, **but not be limited to**, the following:

- CDRC (Chattanooga Downtown Redevelopment Corporation)
- The Chattanooga (operating within the CDRC)
- The Chattanooga Public Library
- EPB (Electric Power Board)
- CARTA (Chattanooga Area Regional Transportation Authority)
- CMAA (Chattanooga Metropolitan Airport Authority)
- Pension Trust Fund composed of separate boards for the General Pension Plan and the Fire and Police Pension Fund.

As specified below, The Chattanooga Hotel (operating within the CDRC) and EPB, CMAA, and CARTA each require separate audit reports. Audit of The Chattanooga (operating within CDRC) is included within the scope of work of this Request for Qualifications, while audit reports for EPB, CMAA, and CARTA are anticipated to be obtained in a separate process by each of those entities; reported to the City's Finance Department; and then incorporated within the City's final comprehensive audit produced pursuant to this Request for Qualifications. It is anticipated the respective governing boards for EPB, CMAA, and CARTA will separately issue requests for qualifications/proposals for the audit services for each of those respective entities, and those entities will engage and pay separately for their respective auditing services. As a result, different firms may be conducting the audits of EPB, CMAA, and CARTA.

A separate (limited scope) audit shall be conducted of the IDB (Industrial Development Board of the City of Chattanooga). The City's Finance Department maintains the books and records for the IDB. However, the IDB is not included in the City's CAFR.

All respondents to this RFQ must be capable and willing to perform the audit of the City of Chattanooga including all boards, agencies, authorities and component units; relying on the reports from other CPAs for inclusion of that data related to EPB, CARTA and CMAA. The selected firm will also conduct an audit of the IDB and a separate audit of The Chattanooga.

The purpose and intent of this Request for Qualifications (RFQ) is to solicit sealed Statements of Qualifications (SOQ) from qualified firms to negotiate a contract for Financial and Compliance Audit services. The audit will be a financial and compliance audit and will be conducted in accordance with Generally Accepted Auditing Standards adopted by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards as promulgated by the Comptroller General of the United States, and the standards prescribed by the Comptroller of the Treasury of the State of Tennessee. Furthermore, the audit will be conducted in accordance with the Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards.

## **1.2 Background**

### **1.2.1 City of Chattanooga**

The City of Chattanooga general fund operates primarily from property taxes levied by the City Council and from state and local taxes apportioned to the City government through various formulas. The City of Chattanooga participates in Federal funding through the Department of Agriculture, the Department of Health and Human Services, the Department of Justice, the Department of Homeland Security, the Environmental Protection Agency, the Department of Energy, the Department of Transportation, the Department of Housing and Urban Development, and other federal and state agencies. The most recent Comprehensive Annual Financial Report (CAFR) can be found on the City of Chattanooga website at <http://www.chattanooga.gov/finance/finance-division/cafr/22-finance/1351-cafr-2014>. Each respondent to this RFQ should become familiar with the CAFR.

The City reported 23 primary funds in the FY2014 CAFR: General Fund (1), Capital Projects Fund (1), special revenue funds (11), Debt Service Fund (1), permanent endowment fund (1), enterprise funds (5), internal service fund (1), fiduciary funds (2). The reported funds are made up of approximately 250 internally managed funds which can be summarized into three major classifications – governmental, proprietary, and fiduciary. Fiduciary Funds include one Pension Trust Fund (comprised of two pension plans) and one OPEB Trust Fund. Please note the enterprise funds include EPB and the Chattanooga Downtown Redevelopment Corporation (CDRC). The CDRC is a blended component unit that is audited as part of the City. Summary data for EPB must be included in the CAFR. A separate annual audit engagement process is anticipated to be utilized by which EPB's governing board will select an auditor who will provide an opinion, at EPB's expense, on the separately issued statements for EPB.

For the highest level of reporting, the primary government is divided into Governmental Activities, Business-Type Activities, and Component Units. Governmental Activities

include the governmental funds restated on an accrual basis and the internal service fund. Business-Type Activities include the enterprise funds. Discretely Presented Component Units include the Chattanooga Area Regional Transportation Authority (CARTA) and the Chattanooga Metropolitan Airport Authority (CMAA). Summary data for CARTA and CMAA must be included in the CAFR. Separate annual audit engagement processes are anticipated to be utilized by which CARTA's and CMAA's governing boards will select auditors who will provide an opinion, at CARTA's and CMAA's expense, on the separately issued statements for CARTA and CMAA.

The accounting system utilized by the City of Chattanooga is Oracle E-Business Suite covering General Ledger, Cash Management, Inventory, Accounts Payable, Purchasing, Fixed Assets, and Human Resources/Payroll/Benefits. The system complies with the requirements established by the Comptroller of the Treasury, State of Tennessee. Separate systems are utilized by the Fire and Police Pension Fund, EPB, CARTA and CMAA.

The City's accounting structure includes one chart of accounts and six primary segments made up of fund, department, cost center, account, work location, and activity. The parent (primary) fund level is utilized for financial reporting and child (sub-funds) are used for grants, special programs, and projects. The Fire and Police Pension Fund, EPB, CARTA and CMAA each have individual accounting structures for their respective functions.

The City's Finance Department produces CAFR reports in spreadsheet format for all reported funds and associated notes in word document format with the exception of credit rating of investments. The City's Finance Department does not provide the statements nor notes for EPB, CARTA or CMAA. Statements and notes for these entities are incorporated by the auditor from information provided by those entities.

### **1.2.2 IDB of the City of Chattanooga**

The Industrial Development Board of the City of Chattanooga (IDB) is a public corporation formed under the provision of the Tennessee Industrial Development Corporation Act. The IDB performs public functions on behalf of the City; its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation, and housing construction. The IDB participates in economic development activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial projects.

The IDB is the recipient of state grant revenues as incentives to develop the VW Project Site and expand production. Pursuant to a July 2008 Memorandum of Understanding (MOU), as amended, the IDB was awarded \$210.8 million in grants from the State of Tennessee with an additional \$46 million pledged from local governments. In June 2014 a second MOU was entered into for an additional \$165.8 million from the State and \$52.5 million from local governments. At the end of fiscal year 2014 IDB had spent \$213,002,027 of the original MOU. In addition to the VW incentives, IDB is the conduit for the City's Tax Increment Financing (TIF) and Growing Small Business programs. The TIF program has one agreement in place. The small business incentive began as part of the 2015 budget;

the current appropriation is \$100,000 for these awards. Additional programs could be added in the future. The IDB is reported using the accrual basis of accounting and is internally managed by the City's Finance Department in three funds with separate cost centers to track individual projects. The IDB is not included in the City's CAFR. The firm awarded the City's audit will also separately audit the IDB and separately bill for that audit. At the time of issuance of the RFQ FYE 2015 audit has not been completed. However, the unaudited statements, notes and MD&A can be reviewed at the following link: [http://www.chattanooga.gov/internal-audit-files/FY15\\_IDB\\_COMBINED\\_FINANCIAL\\_STATEMENTS\\_-\\_Unaudited.pdf](http://www.chattanooga.gov/internal-audit-files/FY15_IDB_COMBINED_FINANCIAL_STATEMENTS_-_Unaudited.pdf)

### **1.2.3 CDRC**

Chattanooga Downtown Redevelopment Corporation (CDRC) is a non-profit corporation created in 1999 as the Southside Redevelopment Corporation within the meaning of the Convention Center and Tourism Development Financing Act of 1998 as set forth in Title 7 of the Tennessee Code Annotated. The charter was amended in 2002 to become the CDRC to carry out the business of the City of Chattanooga to facilitate redevelopment projects in downtown Chattanooga.

The CDRC is reported as an enterprise fund of the City, a blended component unit, using the accrual basis of accounting. Total net assets at the end of fiscal year 2014 were a negative \$5,686,822; there were \$110,140,000 in lease rental revenue bonds outstanding. There is no separately issued external audit report for the CDRC.

A major component of the CDRC is The Chattanooga conference center and hotel. The firm awarded the City's audit will also separately audit the operations of The Chattanooga and separately bill for that audit. The FYE 2015 audited financial statements can be viewed at the following link:

[http://www.chattanooga.gov/internal-audit-files/The\\_Chattanooga\\_Audit\\_FYE\\_6-30-2015.pdf](http://www.chattanooga.gov/internal-audit-files/The_Chattanooga_Audit_FYE_6-30-2015.pdf)

### **1.2.4 Chattanooga Public Library**

The Chattanooga Public Library was created by City ordinance (Chapter 22 of the City Code) pursuant to TCA 10-3-101 et seq. As mandated by TCA 10-3-106, the Library's finances are maintained by the City's Finance Department. The Chattanooga Public Library is included in the City's CAFR. A separate audit report is not required.

### **1.2.5 EPB**

The Electric Power Board was established as the City's electric system in 1935 by Chapter 455 of the Private Acts of the Tennessee General Assembly, as an amendment to the City's state-granted charter, and is now set forth in Title 10 of the City charter inclusive of further amendments since 1935. It began doing business as EPB in 1999. In addition to the Electric System, EPB currently has a Telecom System and a Video & Internet System. Total net assets at the end of fiscal year 2014 were \$288,189,000; there were \$275,742,000

in EPB revenue bonds and notes payable outstanding, each payable only from its revenues. EPB maintains its own accounting system (separate from the City's Finance Department). EPB's most recent financial statements may be found at <https://www.epb.net/flash/annual-reports/2014/EPB-Financials-2014.pdf>. EPB's annual financial audits and/or parts thereof will be provided to the City's Finance Department as necessary for inclusion in the City's CAFR.

### **1.2.6 CARTA**

The Chattanooga Area Regional Transportation Authority was created by City ordinance (Chapter 23 of the City Code) under the City Charter pursuant to TCA 7-56-108. CARTA maintains its own accounting system (separate from the City's Finance Department). CARTA operates a fleet of fixed route and paratransit (Care-A-Van) buses as well as the downtown electric shuttle system and related parking garages. CARTA also sets policy for and manages (or subcontracts the management of) certain elements of the City's parking system, including downtown on-street parking meters, and certain surface parking lots. CARTA also operates the Incline Railway. CARTA is financed by a combination of federal, state, and local financial assistance and is subject to the laws and regulations of the funding governments. CARTA's annual financial audits and/or parts thereof will be provided to the City's Finance Department as necessary for inclusion in the City's CAFR. The most recent financial statements can be found at [http://www.chattanooga.gov/internal-audit-files/CARTA\\_FY14\\_Financial\\_Statements.pdf](http://www.chattanooga.gov/internal-audit-files/CARTA_FY14_Financial_Statements.pdf).

### **1.2.7 Airport Authority**

The Chattanooga Municipal Airport Authority was created by resolution of the City of Chattanooga and is an instrumentality and agency of the City per TCA 42-4-102. CMAA maintains its own accounting system (separate from the City's Finance Department). CMAA operations are included in the City's CAFR. A copy of CMAA's FYE 2014 audited financial statements can be viewed at the following link: [http://www.chattanooga.gov/internal-audit-files/FY14\\_Chattanooga\\_Metropolitan\\_Airport\\_Authority\\_Financial\\_Statements.pdf](http://www.chattanooga.gov/internal-audit-files/FY14_Chattanooga_Metropolitan_Airport_Authority_Financial_Statements.pdf)

## **2 RFQ Instructions**

### **2.1 Performance Specifications**

Indicate in your response if you agree to meet or exceed the following performance specifications. Explain any exceptions you have regarding them.

- A. The audit shall be conducted in accordance with Generally Accepted Auditing Standards (AICPA), Generally Accepted Government Auditing Standards (GAO), the standards prescribed by the Comptroller of the Treasury of the State of Tennessee and in accordance with the Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards.

- B. The firm shall express an opinion on the basic financial statements included in the CAFR. The CAFR will include the financial statements of EPB in a summarized form as an enterprise fund. The CAFR will also include the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority as discretely presented component units. The Chattanooga, operating within the CDRC, requires a separate financial report with auditor's opinion from the selected firm.
- C. If selected to perform the city audit, the firm shall conduct a separate (limited scope) audit of the IDB.
- D. The firm awarded the audit shall complete fieldwork no later than three and a half months following the fiscal year end with earlier completion preferred.
- E. The firm awarded the audit shall use the City Finance Department's prepared draft financial statements and note disclosures in addition to information provided by other entities. The firm shall provide technical assistance to the extent allowed by the independence standards in GAGAS.
- F. The firm awarded the audit shall be aware of the requirements of the Government Finance Officers Associations (GFOA) in order for the City to continue to receive the Certificate of Achievement for Excellence in Financial Reporting.
- G. Any proposal for adjusting entries will be submitted to the City Finance Officer in writing with sufficient explanation to determine the need for the adjustment and for proper posting to the financial records.
- H. The RFQ and the auditor's proposal will become part of the audit contract as prescribed by the State Comptroller.
- I. The auditor shall assist in the preparation of the Data Collection Form (SF-SAC) for reporting on audits of states, local governments and non-profit organizations. The firm will be responsible for completing the Data Collection Form submission on a timely basis.
- J. The auditor will immediately notify the Audit Committee via the City Auditor if any additional work outside of the expected scope is determined to be necessary.
- K. The auditor shall commit to performing the audit for the next five years.
- L. The auditor shall notify the Audit Committee via the City Auditor prior to initiating any non-audit services for the City. Such services shall not be provided unless the Audit Committee determines there is no risk to auditor independence.
- M. The auditor is capable of performing and willing to perform all work contemplated in this request.

- N. The auditor shall track time and bill separately for IDB, CDRC and The Chattanooga.
- O. The auditor will meet with the Audit Committee at least three times during the year: During the planning stage, during the field work stage, and after audit completion.
- P. The auditor will be responsible for timely submitting copies of all reports with opinion to the Local Government Audit Division of the Tennessee Comptroller of the Treasury.
- Q. Upon request, auditor will provide comfort letters or consent and citation of expertise letters, when the financial statements and the auditor's report thereon are provided to third parties.
- R. All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, or such longer time as may be required by federal or state law. Upon request, the auditor will make working papers available, in a timely manner, to the City.
- S. The auditor will respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
- T. The auditors will make an immediate report to the City Auditor of:
  - a. Any and all irregularities and illegal acts of which they become aware;
  - b. Disagreements with management;
  - c. Any efforts or attempts to subvert the audit process;
  - d. Any material difficulties encountered in performing the audit.

## 2.2 Inquiries

Any questions should be submitted in writing (email is acceptable) by the cutoff date shown below. Written response will be provided by the City.

Inquiries should be directed to:

Stan Sewell, City Auditor  
 City of Chattanooga  
 Office of Internal Audit  
 1001 Lindsay Street  
 Chattanooga, TN 37402  
 ssewell@chattanooga.gov

**AND**

Dedra Partridge, Buyer  
 City of Chattanooga  
 Purchasing Division  
 101 East 11th Street  
 Chattanooga, TN 37402  
 purchasing@chattanooga.gov

## 2.3 Instructions for Responses

Eight bound copies and one unbound original copy of the response shall be submitted. All responses shall be submitted in a sealed envelope or box marked “REQUEST FOR QUALIFICATIONS FOR FINANCIAL AND COMPLIANCE AUDIT”. The response shall be submitted by the deadline shown below to the attention of:

Dedra Partridge, Buyer  
City of Chattanooga  
Purchasing Division  
101 East 11<sup>th</sup> Street  
Chattanooga, TN 37402  
purchasing@chattanooga.gov

Sealed responses should be submitted by mail or in person to the City’s Purchasing Division, not later than 2:00 p.m. on February 1, 2016. No submissions received after the deadline will be considered. The response will be available for inspection after that time in the Purchasing Department. The unbound original will be retained in the Purchasing Division’s file. The bound copies shall be distributed by the Buyer as follows: City Finance Officer, Purchasing Agent, City Auditor, and one each to the five Audit Committee members.

No later than 2:00 p.m. on February 2, 2016, a PDF of the entire response, **excluding compensation information**, must be emailed to ssewell@chattanooga.gov.

## 2.4 Key Dates

Date	Event
December 8, 2015	Issuance of Request for Qualifications
January 12, 2016	Questions Cutoff Date
January 26, 2016	Response to Questions Due
February 1, 2016	Response to RFQ Deadline
February 18, 2016	Initial Evaluation Complete
February 18 to May 19, 2016	Final Selection by Audit Committee

## 3 RFQ Overview

### 3.1 Compensation

With regard to the entirety of the work contemplated, if there is a single firm evaluated by the Audit Committee as meeting the City’s best interests, after the responses have been evaluated, based on qualifications and capabilities, negotiations will be initiated with that firm regarding compensation. If there are multiple firms evaluated as being comparable with regard to experience, competence and capability, compensation based information

may be considered. **Such compensation based information shall be submitted in a separate sealed envelope along with each firm's response/proposal.** The compensation information should include:

1. Hourly Billing Rate for each Staff Level
2. Estimated number of hours/cost (by staff level) to complete the audit with a separate line item for IDB, CDRC and The Chattanooga.
3. A not to exceed cost with a separate line item for IDB, CDRC and The Chattanooga (include escalations for the following four years).
4. All additional costs (beyond hourly staff charges), if any, to be charged to the City and related entities.

The City and any firm selected for these services will enter into a professional services agreement which will be negotiated after final selection by the Audit Committee and finalized after approval by the City Council and/or appropriate boards.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request, all such costs and expenses to be at the sole cost of the respective proposers.

### **3.2 Required Responses**

Below is a listing of the information to be provided in response to this RFQ. Firms are requested to keep the submission to a maximum of 25 pages and should be organized to match the specific information requested below:

- Table of Contents
- Executive Summary
- Firm and Staff Qualifications and Experience
- References
- Most recent peer review report, including management letter (if applicable)
- Conflicts of Interest
- Performance Specifications (as requested above)
- Compensation Information (separately sealed envelope as requested above)
- Documentation of professional liability insurance with policy limits and expiration date.

The purpose of these responses is to provide firms with an opportunity to demonstrate their qualifications, competence, and capacity to undertake the engagement described herein, in a manner which complies with applicable laws and regulations, and the requirements of the RFQ. The responses should specifically detail the firm's experience and qualifications in providing the services sought by the Audit Committee.

Note: Resumes, references and insurance documentation do not count toward the 25 page limit for the response.

### **3.2.1 Table of Contents**

A Table of Contents should clearly identify the location of all material within the response by section number.

### **3.2.2 Executive Summary**

An Executive Summary on company letterhead signed by a person with the corporate authority to enter into any contract which may result from this RFQ must be included. The Executive Summary should highlight significant aspects of the firm's response.

### **3.2.3 Firm and Staff Qualifications and Experience**

In this section, firms should demonstrate relevant experience by providing the following:

- A. Describe the unique capabilities of your firm in providing public sector financial and compliance audit services.
- B. Identify the total number of professionals employed by your firm who have experience with local government audits.
- C. Include a description of the direct prior experience of your firm with local government audits in the State of Tennessee and/or other comparable governmental entities.
- D. Identify the number of local government entities for which your firm currently is under contract to serve as auditor.
- E. Identify the location of the base office for the individuals who will be assigned to the audit and the total number of professionals and their qualifications and experience.
- F. A description of your firm and its relevant prior experience, particularly in the area of the Certificate of Achievement for Excellence in Financial Reporting.
- G. List of other governments (population > 100,000) for which audits were performed, including whether or not those governments received the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- H. A description of the Partner(s) and Manager(s) to be assigned to the engagement. Resumes may be included.

### **3.2.4 References**

The response must include the name, address and telephone number of three to five clients for whom services similar to those described in this Request for Qualifications have been performed. Names, titles, addresses and telephone numbers of organizations and individuals who may be contacted for reference must be included.

- A. The Audit Committee may seek information from references regarding subjects that include, but are not limited to, the quality of services provided and the responsiveness of the firm to the client during the engagement.
- B. Information provided by references may be used by the Audit Committee for response evaluation purposes. The Audit Committee is not responsible for the lack of responsiveness of the references listed nor is the Audit Committee required to alert any firm of a reference's unresponsiveness during the evaluation period.
- C. The Audit Committee reserves the right to deploy, at its sole discretion, a variety of methods and communication approaches to contact references, depending on what the Audit Committee deems to be the most effective and efficient manner.

### **3.2.5 Conflict of Interest**

The firm must disclose any professional or personal interest which could be (or could be perceived to be) a conflict of interest in performing the services contemplated within this RFQ.

## **3.3 Review and Evaluation**

### **3.3.1 General Information**

The Audit Committee, at its sole discretion, will determine which response(s) best satisfies the requirements of this RFQ. All responses deemed to be responsive to the requirements of this RFQ will be evaluated. Responses failing to meet the requirements of this document may be eliminated from consideration. The Purchasing Division, Finance Department and City Auditor may analyze, summarize and present information to facilitate evaluation of responses. However, the sole deliberations regarding a selection will be made during one or more public meetings as outlined in Section 2.4 above.

The Purchasing Division, Finance Department or City Auditor may request clarification of a response upon review. Firms will be provided a reasonable period of time in which to submit written responses to the requests for clarification. Other than to provide clarifying information as may be requested, no firm will be allowed to alter its response or add information. Responses to requests for clarification should be provided to the requesting party, as well as the Purchasing Division and City Auditor (contact information in Section 2.2 above).

Finalists may be invited for interviews, after which a selection may be made.

### **3.3.2 Selection Criteria**

The Audit Committee will independently evaluate each response based upon the following primary criteria:

- A. Firm experience with local government audits, related entity audits, and utility audits.
- B. Reputation and References from other public entities for which the firm has provided similar services.
- C. Experience and qualifications of personnel to be assigned to the audit.
- D. Clearly demonstrated understanding of the work to be performed along with completeness and reasonableness of the firm's plan for accomplishing the scope of services within the prescribed timeframe.
- E. Consideration of independence and objectivity both in fact and in appearance.
- F. Overall quality of responses.

The Audit Committee reserves the right to cancel this RFQ at any time or reject any or all responses received as a result of this RFQ if it deems that it is in the best interest of the City. The Audit Committee reserves the right to negotiate all final terms and conditions of any agreement entered into. Nothing in the Request for Qualifications shall be deemed to commit the City to engage any Firm.

### **3.3.3 Interview**

Finalists will be notified of the date, location, and time of their interview, if such interviews are undertaken. Any interviews will be designed to allow finalists to demonstrate their ability to provide the required services. The proposed primary contact, as well as other key personnel who would be responsible for providing the required services, should be present and participate in the interview.

The interview should substantiate the written responses to the RFQ. Initial evaluations may be revised based on the information gained from interviews; however, the interviews will not be an opportunity to cure material omissions in a firms' responses and are not a substitute for a well-written proposal.

**The Audit Committee may choose to forego interviews at its discretion.**

### **3.4 Contract Term**

The engagement will be for a period of five years, subject to annual renewal upon recommendation of the Audit Committee. Pursuant to State Comptroller requirements, a separate contract will be signed for each of the five years, prior to commencement of each audit. This contract is prescribed by and requires the approval of the State Comptroller. Progress billings may be submitted no more frequently than monthly for services rendered. The first progress billing shall not be submitted prior to July 1. Final payment will be due upon receipt of the final reports.

## **4 General Terms and Conditions**

The agreement shall be governed by the laws of the State of Tennessee and the Code of the City of Chattanooga.

The auditor must defend, indemnify and hold harmless the City against all damages, claims or liabilities and expenses (including attorney's fees) arising out of or resulting in any way from any act or omission of auditor, its agents, employees or subcontractors.

In no event is the City liable for anticipated profits or for incidental or consequential damages. The City is not liable for penalties of any description.

Claims, disputes, or other matters in question between the auditor and the City arising out of or related to performance of these services, or breach thereof, shall be subject to mediation in Chattanooga, Tennessee, in accordance with the following provisions:

- a) The mediation shall be conducted by a mediator mutually acceptable to both parties;
- b) The parties agree to share equally in the expense of the mediation;
- c) Such mediation may include the auditor or any other person or entity who may be affected by the subject matter of the dispute;
- d) Unless the parties agree otherwise, mediation shall be a condition precedent to the exercise of any legal remedy other than a proceeding seeking an immediate injunction or restraining order to protect the rights of a party pending litigation. Notwithstanding the issuance of an injunction or restraining order, or the refusal of a court to issue such an order, the dispute shall continue to be subject to mediation.

The City Auditor may audit any records of the selected firm for the purpose of identifying fraud, waste or abuse related to provision of these services or to identify conflicts of interest. Costs of any audits conducted under the authority of this provision will be borne by the City unless the audit identifies significant findings that would benefit

the City. This provision shall not be construed to limit, revoke, or abridge any other rights, powers, or obligations relating to audit which the City may have by Federal, State, or Municipal law, whether those rights, powers, or obligations are express or implied.

The City's failure to insist on performance of any of the terms or conditions or to exercise any right or privilege, or City's waiver of any breach does not waive any other terms, conditions, or privileges, whether of the same or similar type.

The invalidity, illegality, or unenforceability of any provision of the agreement to audit or the occurrence of any event rendering any portion or provision of the agreement void shall in no way affect the validity or enforceability of any other portion or provision of the agreement. Any void provision shall be deemed severed from the agreement, and the balance of the agreement shall be construed and enforced as if the agreement did not contain the particular portion or provision held to be void. The parties further agree to amend the agreement to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. This provision shall not prevent the entire agreement from being void should a provision which is of the essence of the agreement be determined void.

City and auditor each binds itself and its directors, officers, partners, successors, executors, administrators, assigns, and legal representatives to the other party of the agreement and to the directors, officers, partners, successors, executors, administrators, assigns, and legal representatives of such other party in respect to all provisions of the agreement.

Neither City nor auditor shall assign any rights or duties under the agreement without the prior written consent of the other party. Unless otherwise stated in the written consent to an assignment, no assignment will release or discharge the assignor from any obligation under the agreement. However, nothing shall prevent Contractor from employing independent Contractors, associates, and subcontractors to assist in the performance of the services; however, other agreements to the contrary notwithstanding, in the event Contractor employs independent Contractors, associates, and subcontractors to assist in performance of the services, Contractor shall be solely responsible for the negligent performance of the independent Contractors, associates, and subcontractors so employed.

Nothing in the agreement shall be construed to give any rights or benefits to anyone other than City and auditor.

Nothing in the agreement shall be construed to hold or to make the City a partner, joint venturer, or associate of the auditor, nor shall either party be deemed the agent of the other, it being expressly understood and agreed that the relationship between the parties is and shall at all times remain contractual as provided by the terms and conditions of the Agreement.

Auditor agrees not to disclose or to permit disclosure of any information designated by the City as confidential, except to the auditor's employees and independent Contractors, associates, and subcontractors who require such information to perform the services.

Auditor agrees to comply with all federal, state, and local non-discrimination laws and regulations. Auditor agrees not to discriminate against any participant on the basis of race, color, religion, sex, age or national origin. Auditor further agrees to comply with all federal, state and local laws regarding treatment and accommodations for individuals with disabilities.

Auditor certifies that it will provide a drug-free workplace and agrees to comply with the applicable requirements of the Drug-Free Workplace Act of 1988.

Auditor certifies knowledge and understanding of the relevant and applicable federal and state laws that apply to the services to be provided, and agrees to comply with these relevant and applicable federal and state laws.

The auditor understands and acknowledges the applicability to it of the American with Disabilities Act, as well as the Immigration Reform and Control Act of 1986.