

**REQUEST FOR PROPOSAL
FINANCIAL AND COMPLIANCE AUDIT
COOL SPRINGS CONFERENCE CENTER
(A JOINT VENTURE BETWEEN THE CITY OF FRANKLIN, TENNESSEE AND
WILLIAMSON COUNTY, TENNESSEE)
FEBRUARY 15, 2011**

The City of Franklin, Tennessee (hereinafter referred to as “City”) seeks proposals from interested and qualified auditors for the performance of a complete financial and compliance audit of the Cool Springs Conference Center in accordance with the laws and requirements of the State of Tennessee.

The Conference Center’s audit has been performed by the same firm since its opening in 1999.

Scope of Work:

The audit will examine the financial statements and records of the Conference Center for the fiscal year ending June 30, 2011. The City will consider a renewal of this agreement for up to three (3) additional consecutive one-year terms based upon cost established at the time of the initial proposal.

Please note: As joint owners of the Conference Center, both municipal and county audit requirements need to be met. City (or City of Franklin) requirements referenced below may potentially include similar requirements by the County (or Williamson County).

General Requirements:

- 1) The audit will be conducted in accordance with generally accepted auditing standards as prescribed by the American Institute of Certified Public Accountants, generally accepted government auditing standards prescribed by the comptroller General of the United States, and other requirements which may be prescribed by the Comptroller of the Treasury of the State of Tennessee. In addition, the audit will be conducted in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 and other applicable Federal Management Circulars.
- 2) If applicable, the audit shall conform to those standards, procedures, and reporting requirements set forth in the Audit Manual for Governmental Units and Recipients of Grant Funds published by the Comptroller of the Treasury of the State of Tennessee. Any deviation from said standards and procedures shall be approved in writing by the Comptroller of the Treasury prior to the execution of the contract to audit.
- 3) The auditor shall, as part of the written report of audit, submit to the City a report containing an expression of an opinion that the financial statements are fairly stated, or qualified as to certain funds or items in the financial statements, or a disclaimer of opinion and the reasons therefore, and shall explain in every detail any unusual items or circumstances under which the auditor was unable to reach a conclusion. This report shall state that generally accepted governmental auditing standards have been followed in the audit.
- 4) The auditor shall furnish provide an electronic copy of the audit in PDF or Microsoft Word and Excel formats to enable posting of the report on the City’s website. The auditor shall file copies of said audit with the Comptroller of the Treasury and with the appropriate officials of

grantor agencies if applicable. If a management letter or any other reports or correspondence relating to findings or recommendations are issued in connection with this audit, a copy shall be filed with the Comptroller of the Treasury. Such management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no material matters not also disclosed in the findings found in the published report of audit).

- 5) Unless other dates are agreed upon, the audit shall begin no later than September 1 with the audit report completed by November 30th. A draft electronic copy of the Comprehensive Annual Financial Report shall be submitted to the Conference Center no later than October 31, 2011.
- 6) The auditor shall agree to retain working papers for no less than three (3) years. All audit working papers shall, upon request, be made available for review by the staff, representatives, agents, and legal counsel of the City or the Comptroller of the Treasury of the State of Tennessee during normal working hours while the audit is in progress and/or subsequent to the completion of the report.
- 7) Progress payments may be made on the basis of work completed during the course of the audit.
- 8) Should the circumstances disclosed by the audit call for a more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the City's Board of Mayor and Aldermen in writing of the need for additional investigation and the additional compensation required. Upon approval by the Comptroller of the Treasury, State of Tennessee, an additional agreement may be made by the Board of Mayor and Aldermen and the auditor for additional investigation. The changed agreement shall not ignore the routine portion of the audit to be performed as part of the normal audit. Any evidence of fraud, such as misappropriation, misfeasance, malfeasance, embezzlement, or other illegal acts shall be reported immediately to the Comptroller of the Treasury, who shall under all circumstances have the preemptive authority to directly investigate such matters at his discretion. The auditor shall advise the Board of Mayor and Aldermen at the same time as the Comptroller of the Treasury.
- 9) The audit firm shall present in person the audit results to the City's Budget & Finance Committee at the conclusion of the audit. The findings and recommendations regarding compliance and internal control shall be discussed at said conference. Conference Center officials shall have the opportunity to respond orally or in writing to the findings. Any such written responses shall be included in the audit report.
- 10) The records of the Conference Center will not be removed from offices except with express written permission.
- 11) All adjusting entries will be submitted to the Conference Center with sufficient explanation so they can be easily understood and properly posted to the financial records. Reversing entries must also be presented with sufficient explanation.
- 12) The Request for Proposal (RFP) and the auditor's proposal will become part of the audit contract as prescribed by the State Comptroller.
- 13) The auditor will also be required to assist with assessment and implementation of any revisions necessary as a result of GASB statements, etc.

General Information:

By the end of August, the Conference Center shall have closed and balanced all accounts and shall have prepared preliminary computer generated year-end financial statements for examination by the audit firm. Documents required for sampling purposes shall be generated by the auditor.

Accounting records are located at the Conference Center at 700 Cool Springs Boulevard in Franklin, Tennessee.

Appendix A contains additional information on relevant information from the most current audit.

Proposal Format:

The proposal shall consist of two parts consisting of a technical proposal and a cost proposal. The cost proposal shall be in a separately sealed envelope clearly identified as to with the firm's name. The cost proposal shall be submitted at the same time as the technical proposal.

The technical proposal shall be styled at the discretion of the submitter, however at a minimum it must address these areas:

- 1.) Breadth and depth of the firm's governmental auditing experience, including any experience with the Government Finance Officers Association's Certificate of Achievement program.
- 2.) Organization size and structure of the firm, including a description of the organization of the audit staff and the assigned audit team.
- 3.) Qualifications of staff to be assigned to this audit, including education, position in the firm, and years and types of experience.
- 4.) Type and level of training provided to the firm's staff.
- 5.) A description of the proposed audit plan in general: areas that may require particular audit emphasis should be specified, as well as the extent to which the assistance of Conference Center staff will be required.
- 6.) Availability of the auditor to the agency for specialized consultation and support assistance on sensitive or highly specialized issues.
- 7.) The firm should indicate in the cost proposal if it is willing to enter into a contract for one year, renewable annually for each of the next four (4) years at the City's option and upon approval of the Comptroller of the Treasury for the State of Tennessee. Fees for subsequent years should be quoted in accordance with requirements of the cost proposal.
- 8.) Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City of Franklin.

Cost proposals will be evaluated separately after all technical proposals have been evaluated and scored. Both technical and cost proposals will be clearly identified as to the firm. All technical proposals will be evaluated and scored first without taking cost into consideration. After scoring all

technical proposals, cost proposals will be reviewed and evaluated. The cost proposals must be submitted as follows:

- 1.) The base audit fee must be quoted either as a maximum fixed amount or rate per hour, with total estimated hours. If the latter method is used, a maximum amount must be stated. Any incidental expenses, such as travel and supplies, not included in the quoted fee must be estimated and provided. The audit fee must be stated so the amount can be easily determined. Hourly rates for services requested or required above the base audit must be quoted as well. The cost proposal shall describe the types of services that are not included in the base audit fee.
- 2.) If the firm is willing to enter into a renewal of the contract for subsequent years, the renewal rates must be clearly stated as either a percentage increase over prior year costs or as a fixed amount.
- 3.) If the firm is unwilling to renew in either of the two subsequent years, that must be clearly indicated as well.

Six (6) copies of each proposal must be submitted in a sealed envelope clearly marked on the outside "Proposal for Annual Audit Services" and received by the Purchasing Office, P. O. Box 295, Franklin, TN 37065 no later than 2:00 p.m., -----, February -----. The proposals will be opened at 2:00 p.m. on -----, ---in the Boardroom of City Hall at 109 Third Avenue South.

Selection Process:

Proposals will be reviewed and evaluated by a selection committee. This selection committee may be comprised of City, County, and/or Conference Center officials. At any point in the selection process, the proposer may be requested to submit information supplemental to its proposal. If deemed necessary, personal interviews will be conducted with representatives of some or all of the proposers. Criteria to be used in evaluating the proposals will include the following:

- 1.) Qualifications and capabilities of the firm, its coordinating office and its management as measured by the number of firm employees and years in business and type of experience. (15% of total score)
- 2.) Makeup and qualifications of audit team as evidenced by the number of members assigned to the audit team, their educational background, their experience with the firm, and their experience in governmental auditing. (15% of total score)
- 3.) Prior experience with local government audits and GFOA Certificate of Achievement programs, GASB 34 and references from past governmental audits. The evaluating team will consider number of governmental audits of like size, number of GFOA awards received by governmental units on which the firm provided audit services and prior GASB 34 experience in implementation, consulting, or training. (30% of total score)
- 4.) Understanding of the City's audit needs as indicated by a thorough and complete technical proposal clearly addressing in sufficient detail each requested item. (15% of total score)

- 5.) Costs both in the initial year and subsequent renewals to include consideration of the type and quantity of services provided in the base audit number. (25% of total score)

The Audit Selection Committee (currently the City's Budget and Finance Committee) will recommend an audit firm for approval by the Board of Mayor and Aldermen. The Board's approval will authorize the Mayor to execute a contract between the City and the audit firm. A contract will be awarded for only the 2011 fiscal year audit. Renewal of the contract for subsequent fiscal years will be at the option of the Audit Selection Committee.

The City reserves the right to reject any or all proposals, to waive technicalities or formalities and to accept any proposal deemed to be in the best interest of the City of Franklin and Williamson County. Selection of an auditor and the contract to audit shall be subject to the approval of the Comptroller of the Treasury for the State of Tennessee.

General Terms and Conditions:

The general terms and conditions for purchases of goods and services for the City of Franklin may be found in Appendix B and shall be applicable to this solicitation.

APPENDIX A COOL SPRINGS CONFERENCE CENTER

Organization and Operations

The Conference Center at Cool Springs (the “Conference Center”) is a banquet facility consisting of approximately 55,000 square feet of space, including grand ballroom and meeting rooms, which adjoins the Franklin Marriott Hotel (the “Hotel”) in Franklin, Tennessee. The Hotel is owned by Franklin Realco, LLC, a Delaware limited liability company. The Conference Center facility was developed to attract conventioners, business travelers, tourists, vacationers, and other visitors, to provide meeting space for residents and groups in municipalities, and to promote the economic development of the City of Franklin and Williamson County.

An Interlocal Agreement executed between the City and County (the Parties) provides for equal ownership by each of the Parties of a one-half undivided interest in the Conference Center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center.

The accounting policies of the Conference Center conform to generally accepted accounting principles applicable to governmental units. The Conference Center complies with generally applicable accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Conference Center applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Conference Center has elected not to follow FASB pronouncements issued since that date.

Contractual Commitments

The Conference Center is operated under a franchise agreement between the Hotel owner and Marriott International, Inc. The term of the franchise agreement is 25 years unless otherwise extended or terminated. The agreement provides for the Conference Center to pay Marriott International, Inc. a franchise fee equal to \$35,000 per year for the first sixty months of operations and \$75,000 per each additional year that the Conference Center is in operation. The franchise fee for the year ended June 30, 2010 was \$75,000.

The City and County entered into a 15-year operating agreement for the Conference Center with the Hotel operator to manage the facility. Under the operating agreement, the Owners will pay the Operator a specified annual management fee. The annual base fee of \$125,000 shall escalate on a fiscal year basis at a rate equal to the greater of three percent per year or the Consumer Price Index increase with respect to the prior fiscal year. The management fee for the year ended June 30, 2010 was \$160,345.

The City and County entered into a catering agreement with the Hotel Operator to provide all food and beverage catering services to the Conference Center. The term of this agreement is conterminous with the Conference Center operating agreement between the Owners and Operator. Under the catering agreement, the Owners will pay the Operator a catering fee of \$10,000 per month

during the agreement. This fee will escalate annually at a rate equal to the greater of three percent per year or the Consumer Price Index increase with respect to the preceding calendar year. The catering fee for the year ended June 30, 2010 was \$163,311.

Related Party Transactions

Because the Hotel and the Conference Center are operated together, the Hotel allocates certain expenses to the Conference Center as follows:

Food and beverage costs are allocated to the Conference Center based on the ratio of the Conference Center food and beverage revenue to total food and beverage revenue for the Hotel and Conference Center on a monthly basis.

General and administrative and repair and maintenance expenses are allocated to the Conference Center based on the ratio of total Conference Center revenue to total combined revenue for the Conference Center and the Hotel on a monthly basis.

Advertising and sales expenses are allocated to the Conference Center based on a fixed 50% allocation for each period.

Under terms of the management agreement, the City and County are to share equally in Conference Center “cash flows” as defined in the agreement. As a result, aggregate operating assistance contributed from (and distributed to) local governments in the amount of \$96,484 were made during 2010. At June 30, 2010, the Conference Center was due \$24,738 from the City and owed the City and County \$23,555 each.

**COOL SPRINGS CONFERENCE CENTER
As of June 30, 2010**

Balance Sheet

Assets

Current Assets:

<i>Cash - Restricted for Equipment Replacement</i>	\$ 58,821
<i>Cash - Unrestricted</i>	24,748
<i>Due to Hotel Operator</i>	94,894
<i>Due from City / County</i>	24,738
<i>Prepaid Expenses</i>	<u>20,268</u>
<i>Total Current Assets</i>	223,469

Non-Current Assets:

<i>Capital Assets (net of depreciation)</i>	<u>12,456,521</u>
<i>Total Assets</i>	<u><u>\$12,679,990</u></u>

Liabilities and Net Assets

Current Liabilities:

<i>Accounts Payable</i>	\$ 6,085
<i>Due to City / County</i>	47,110

<i>Accrued Expenses</i>	<u>26,729</u>
<i>Total Liabilities</i>	<u>79,924</u>
<i>Net Assets:</i>	
<i>Invested in Capital Assets</i>	12,456,521
<i>Unrestricted</i>	<u>143,545</u>
<i>Total Net Assets</i>	<u>\$12,600,066</u>
<i>Changes in Net Assets</i>	
<i>Operating Revenue:</i>	
<i>Food and Beverage</i>	\$ 3,282,953
<i>Other</i>	<u>1,948,395</u>
<i>Total Revenue</i>	5,231,348
<i>Operating Expenses:</i>	
<i>Food and Beverage</i>	2,252,219
<i>Other</i>	<u>3,339,799</u>
<i>Total Operating Expenses</i>	5,592,018
 <i>Operating Income (Loss)</i>	 (360,670)
 <i>Other Income (Expense)</i>	 23,746
<i>Distributions from City / County</i>	<u>96,484</u>
<i>Change in Net Assets</i>	(240,440)
 <i>Net Assets at June 30, 2009</i>	 <u>\$12,840,506</u>
<i>Net Assets at June 30, 2010</i>	<u>\$12,600,066</u>