

Town of Haw River, North Carolina



Request for Proposal

Audit Services

July 1, 2015 to June 30, 2016

July 1, 2016 to June 30, 2017

July 1, 2017 to June 30, 2018

Jeffrey H. Earp

Town Manager/Finance Officer

Melanie Eveker

Town Clerk/ Asst. Finance Officer

April 4, 2016

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The Town Council of the Town of Haw River (hereinafter called the "Town") invites qualified independent auditors (hereinafter called "auditor") having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in the Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for the Town to reimburse firms for any expense incurred in preparing proposals in response to this request.

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with this RFP shall govern in any resulting contract(s) unless approved otherwise in writing by the Town of Haw River. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Alamance County, North Carolina.

Type of Audit

The audit will encompass a financial and compliance examination of the unit's basic financial statements, supplementary information and compliance reports in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; *Government Auditing Standards (The Yellow Book, 2007 Revision)*; *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education, April 2005*; the Single Audit Act of 1987; the Single Audit Act Amendments of 1996; the provisions of OMB Circular No. A-133 and compliance supplement; *Audits of States, Local Governments, and Non-Profit Organizations*, including revisions published in *Federal Register* June 27, 2003; the State Single Audit Implementation Act and State Compliance Supplements; *OMB Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*; *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, Revised 5/10/04; *OMB Catalog of Federal Domestic Assistance (CFDA)*; and all other applicable laws and regulations.

Period

The unit intends to continue the relationship with the auditor for no less than three years on the basis of annual negotiation after the completion of the first year contract. The fees quoted for the initial year will be considered binding. Audit fees estimated for the two subsequent years will be negotiated each year and will be limited to the increase in the Consumer Price Index (CPI) for the previous twelve months. However, the maximum increase in fees for the currently defined audit program shall be three percent (3%). Any additional increase in fees, due to the increase in the scope of the audit requested by the Town or any additional audit services required by the Town will be negotiated outside the above parameters. The Town of Haw River Council and Local Government Commission must approve the audit contract each year. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. The Town of Haw River reserves the right to request

proposals at any time following the first year of this contract. Thus, prepare proposals for the following years, with Year one being the only obligated year:

July 1, 2015 to June 30, 2016

July 1, 2016 to June 30, 2017

July 1, 2017 to June 30, 2018

Requirements

The audit must be conducted in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States Office of Management and Budget Circular A – 133, Audits of States, Local Governments, and Non-Profit Organizations; the State Single Audit Implementation Act, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP.

The Auditor will prepare most year-end adjusting journal entries. The auditor will be ultimately responsible for the preparation, typing, proofing, printing, and copying of the Basic Financial Statement, supplementary information and compliance reports. The Town of Haw River Finance Officer will be actively involved in the MD&A, and other schedules section preparation. The auditor will submit a draft of the Financial Statement to be reviewed in detail by the Finance Officer. This draft should be submitted to the Town of Haw River in time to allow ample review and corrections. **The timing of this should insure final completion of the Financial Statements no later than the annual October 31st deadline.**

The Town of Haw River prefers interim fieldwork be completed in early June. Year end fieldwork should begin in mid August and be completed by September 15th. **An agreed upon post-closing trial balance must exist by September 30th.** The Finance Officer will expect a listing of requested information needed for the audit at the pre-planning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

A preliminary draft of the audit and required journal entries must be submitted to the Finance Director by October 1 for proofing and reconciliation to the unit's records.

Twenty (20) copies of each audit report, management letter, and other applicable reports must be supplied to the Finance Director within the time frame cited above. In addition, the auditor is responsible for submitting the required two to the LGC. Any other copies required will be charged on an as needed basis in addition to the quoted fee.

The financial audit opinion will cover the financial statements for the governmental activities, the business-type activities, the financial statements of the aggregate discretely presented component units, each major fund, and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be

subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the basis financial statements taken as a whole. The auditor shall also express an opinion on the budgetary comparison information for the general fund, the major funds, and any annually budgeted special revenue funds. An opinion will not be given on the Management Discussion and Analysis.

The working papers shall be retained and made available upon request for no less than three years from the date of the audit report.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.

Audit Contract and Payment of Audit Fees

The Local Government Commission (LGC) must approve the audit contract. Invoices are subject to approval by the LGC. Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the LGC and their approval of the audited financial statements.

Other Services

The auditor will prepare, type, and provide one print-ready copy of the Annual Financial Information Report. The auditor will also provide the schedule of expenditures of Federal and State awards. The auditor will submit a draft for review by the Finance Director. The Finance Director will return the draft with proposed revisions within 10 working days.

1. Capital asset records which have not been audited previously;
2. Assistance with the preparation of the Annual Financial Information Report (counties and municipalities only) required to be filed with the staff of the Local Government Commission.
3. Calculation of the Debt Service Coverage Ratio as required by certain revenue bond covenants. (The bond covenants may also require the auditor to express an opinion on the unit's compliance with the debt service coverage ratio and other debt covenants.)
4. The auditor will attend board meetings to present the results of the audit and other matters as required.

Description of Selection Process

Two copies of the proposals should be submitted at the time and place indicated under the section entitled “Time Schedule for Awarding Contract.”

Proposals will be submitted in two sections. The first section labeled “**Audit Proposal – Technical**” will be comprised of the audit firm’s prior experience and qualification of its personnel in performing governmental audits. The Finance Office staff will evaluate the auditor/firm on educational and technical qualification. The top three firms from the first section will have their second section labeled “**Audit Proposal – Fees**” opened and evaluated. The firm best meeting the experience, audit approach, and cost requirements will be selected.

PLEASE KEEP IN MIND THAT COST, WHILE AN IMPORTANT FACTOR, WILL NOT BE THE SOLE DETERMINING FACTOR. UNUSUALLY LOW BIDS THAT ARE OBVIOUSLY OUT OF LINE WITH OTHER BIDDERS OR ARE SIGNIFICANTLY LOWER THAN OUR CURRENT FEES WILL RAISE CONCERN. THE LOWEST BID WILL NOT AUTOMATICALLY BE AWARDED PREFERENTIAL CONSIDERATION.

The Town of Haw River requests that no Haw River officials be contacted during this process. The Finance Officer may be contacted only to clarify questions concerning the RFP.

The Town reserves the right to reject any or all bids, waive technicalities, and to be the sole judge of suitability of the services for its intended use and further specifically reserve the right to make the award in the best interest of the Town.

Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid.

First Section

The first section labeled “**Audit Proposal – Technical**” should address the requested information below. The corresponding responses should begin with the number of the requested information:

1. Indicate the number of people (by level) located within the local office that will handle the audit.
2. Provide a list of the local office’s current and prior government audit clients, indicating the type(s) of service performed and the number of years served for each. Responsive firms should include any relevant information regarding audits performed on financial statements prepared under the new reporting model
3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of services performed, and the year(s) of engagement.

4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer reviews). Provide a copy of the firm's current peer review letter of comments as required by Government Auditing Standards (section 3.55).
5. Describe the professional experience in government audits of each senior and higher-level person assigned to the audit, including years on each job and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site. Again, relevant experience with the new reporting model should be clearly communicated.
6. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.
7. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., utilities, solid waste, transit, airports, or health authorities and school systems).
8. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conference or seminars, or authorship of articles and books.
9. Provide names, address, and telephone number of personnel of current and prior governmental audit clients who may be contacted for reference.
10. Describe the firm's Statement of Policy and Procedures regarding Independence under the Government Auditing Standards (Yellow Book), current revision. Provide a copy of the firm's Statement of Policy and Procedures.
11. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
12. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
13. Tentative schedule for completing the audit within the specified deadlines outlined in the RFP.

Second Section

Proposal should include completed cost estimate sheets and any other necessary cost information in a separate sealed envelope marked “**Audit Proposal – Fees**” The Town plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.

The second section should consist of completed cost estimate sheets, which will include the following information:

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of computer audit specialists
4. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
5. Information that will be contained in the management letter.
6. Assistance expected from the government’s staff, if other than outlined in the RFP.
7. Tentative schedule for completing the audit within the specified deadlines of the RFP.
8. Specify costs using the format below for the audit year July 1, 2015 to June 30, 2016.

For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2016 is binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to-exceed” amount.

A. Personnel costs – Itemize the following for each category of personnel per hour.

1) Estimated hours – categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor’s office.

2) Rate per hour.

3) Total cost for each category of personnel and for all personnel costs in total.

B. Travel – itemize transportation and other travel costs separately.

C. Cost of supplies and materials – itemize.

D. Other costs – completely identify and itemize.

10. Please list any other information the firm may wish to provide.

11. Please include the Summary of Audit Costs Sheet with your proposal.

Time Schedule for Awarding the Contract

Request for proposal packages will be mailed by April 4, 2016.

Please acknowledge receipt of this request for proposal and your intent for proposal by April 11, 2016.

Proposals signed by authorized officials will be received by, Town Manager, at address below, until April 25 at 12:00 p.m. Envelopes containing proposals should be clearly identified on the front as to the contents. The Finance Office will review the proposals and make a recommendation to the Town Council on May 2, 2016 at which time the contract will be awarded.

Any questions should be directed to Jeffrey H. Earp, Town Manager at:

Haw River Municipal Building
P.O. Box 103
403 East Main Street
Haw River, NC 27258
Phone: 336-578-0784
Fax: 336-578-0010
Email: jearp@townofhawriver.com

Financial Structure

Organizational Chart Annual Audit and Monthly Accounting

Town Council Members Town of Haw River

Mr. Buddy E Boggs-Mayor

Lee Lovette - Mayor Pro-Tem

Jeff Fogleman

Kelly Allen

Steve Lineberry

Town Manager/ Finance Officer

Jeffrey H. Earp

Town Clerk /Asst. Finance Officer

Melanie Eveker

Billing Clerk/Cashier

Dana Sheffield

Town Manager/Finance Officer- Annual Budget and Ordinance, Cash Flow Management and Investments, Grants, Monthly Budget vs. Actual

Town Clerk /Asst. Finance Officer – Bank Reconciliation, G/L Monthly Close, budget preparation, A/R, A/P, payroll, employee benefits

Billing Clerk/Cashier – Water and Sewer Billing, Water, Sewer and Garbage Fees, Administrative Support

Fund Description

The Town Haw River of utilizes a fund structure as outlined in the accounting regulations that governs units of local government. A fund is a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are divided into various types according to the legal restrictions imposed upon them or by their uses. Following is the fund structure contained in the fiscal year 2016 budget for the Town of Haw River.

I. GOVERNMENTAL FUNDS:

Accounted for on a “spending” or “financial flow” measurement focus. Accordingly, the budgeted fund balances provide an indicator of available, spendable, or appropriate resources.

A. General Fund

The general fund of a government unit serves as the primary reporting vehicle for current government operations including Police, Public Works, Fire, Town Council, and General Administration. The general fund, by definition, accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

B. Special Revenue Funds

The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. Special revenue funds budgeted and included in this document are:

Powell Bill Fund

Storm Water Fund

II. PROPRIETARY FUNDS:

Accounted for on a cost of services or “capital maintenance” measurement focus. Accordingly, all assets and liabilities are included on their balance sheets and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for proprietary fund types report increases and decreases in total economic net worth.

A. Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Enterprise Funds budgeted and included in the documents are:

Water & Sewer Utility Funds

Water Distribution and Sewer Collection

III. **CAPITAL PROJECT FUND:**

A. CWSRF Fund

The CWSRF Fund accounts for all revenues and expenditures for the 2013 Haw River Sanitary Sewer Rehabilitation Project.

Description of the Governmental Entity and Its Accounting System Entity

The Town of Haw River is a municipality in North Carolina with a population of 2,351. The Town operates a water distribution and sewer collection system. In addition, the Town has a full-time Police Department, Fire Department, Parks and Recreation and Public Works.

Based on the criteria set forth in GASB Statement 14, the following organizations will be included on the audit:

N/A

Funds

The Town maintains the following funds and account groups:

-General Fund (Powell Bill and Stormwater moneys maintained internally as separate fund), including Debt Service Fund.

-Proprietary Funds:
 Enterprise Funds:
 Water and Sewer Fund

-Capital Project Fund

Budget revenues, excluding project amounts are estimated at \$3,532,343.00 in FY 2015-2016

Grants

Federal and State Awards for the year ended June 30, 2016:

NCDENR- 2016 Recycling Grant - \$10,500

NCDENR- 2012 PARTF Grant - \$13,511

NCDOT – Sidewalk Grant- \$200,000

Governor’s Crime Commission - HRPD Officer Body Camera Initiative - \$15,000

FEMA Assistance to Firefighter’s Grant Program – 2014 SCBA Grant - \$131,686

NCDENR Clean Water Trust Fund – CWSRF Grant - \$1,000,000

Budgets

The Town budgets all funds on the modified accrual basis of accounting as required by North Carolina law. Appropriations are made at the departmental level. The budgetary system is integrated with the accounting system to provide easy comparison with actual expenditures.

Accounting Records

The Town maintains all its accounting records at the Town Hall located at 403 East Main St., Haw River NC 27258. The governmental unit maintains its accounting records on a local network. The software is Harris Computer Systems.

Assistance to the Auditor

The Town will make available to the auditor sufficient help to pull and re-file records, and prepare and mail all necessary confirmation. A trail balance with budgeted amounts will be made

available via hard copy by August 25. The following accounting procedures will be completed and documents prepared by the unit's staff.

The books of account will be fully balanced.

All subsidiary ledgers will be reconciled to control accounts.

All bank account reconciliation's for each month will be completed.

The unit's personnel will maintain and make available as requested the following items:

General

1. Working Balance Sheet for each fund.
2. Working Statement of Revenues, Expenditures, and Transfers for each fund.
3. General Ledger transaction detail report for each account.
4. A copy of the original budget, all amendments, and the final budget as of June 30.
5. A copy of all project ordinances and all amendments for active projects during the audit period.
6. A copy of the operating and capital lease schedules itemizing contracts in force during the audit period as well as access to the lease files maintained in the (location) office.
7. A copy of board policies.
8. Copies of all correspondence with the LCG, including semiannual Cash and Investment Reports (LGC-203), unit letters, faxes regarding the audited financial statement and compliance reports for the previous year.
9. Required supplementary information, e.g. actuarial information of the Law Enforcement Officers' Separation Allowance.

Cash and Investments

1. All bank reconciliation's for each month.

2. List of outstanding checks, showing check number and amount.
3. Schedule of all investments for all funds at the audit date, showing book value and estimated market value at fiscal year end.

Receivables

1. Listing of unpaid tax bills in detail totaled by year as of fiscal year end.
2. Listing of outstanding water, sewer and sanitation receivables by account as of the fiscal year end.
3. Schedule of miscellaneous receivables booked as of fiscal year end.

Other Assets

1. Schedule of insurance coverage.

Capital Assets

1. List of all capital assets acquisitions during the audit year. (First year for infrastructure.)
2. List of all capital asset dispositions during the audit year.

Current Liabilities

1. Schedule of accounts payable at year-end.

Long-Term Debt

1. Computation of vested vacation payables as of the audit date.
2. Debt Schedule for each debt issue and related payments.

Grants

The following will be complied for each grant:

1. Grant agreement.

2. Budget
3. All financial reports
4. Correspondences with the grant agency, including monitoring reports.
5. CFDA # and/or pass-through grant #

Size and Complexity of Unit

Personnel/Payroll

Number of Employees	20 FT/ 5 PT
Frequency of payroll	Monthly
Number of payroll direct deposit advises	approximately 67

Property Tax

Number of real property tax bills issues	Collected by County
Number of motor vehicle tax bills issues	Collected by County
Total dollar amount of most 2015/2016 collections	\$608,445
Total dollar amount of levy	\$635,517

Water, Sewer, Sanitation Billing

Number of statements each month	approximately 950
Average number of delinquent accounts at month end	15 to 30

Purchasing

Number of purchase orders issued (items over \$500)	approximately 75
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Bank Accounts

Number of bank accounts	One checking account Four NCCMT Accounts 2 CD's
Average Monthly activity	
Number of Deposits	35
Number of Withdrawals/Debits	150

Management Information Systems:

Number of PC's on premises	19
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The following financial applications are on the computer system:

- General Ledger
- Accounts Payable
- Payroll
- Water/Sewer Billing
- Misc. Receipts
- Privilege License

Contact Information:

Jeffrey H. Earp, Manager
Haw River Municipal Building
P.O. Box 103
403 East Main Street
Haw River, NC 27258
Phone: 336-578-0784
Fax: 336-578-0010
Email: jearp@townofhawriver.com

SUMMARY OF AUDIT COSTS SHEET

1. Base Audit (Includes Personnel costs, travel, and on-site work)	\$ _____
2. Financial Statement Preparation	\$ _____
3. Extra Audit Service \$ _____ per hour	\$ _____
4. Other (explain)	\$ _____
5. Other (explain)	\$ _____
TOTAL:	\$ _____