

Town of Conway
Request for Proposal – Auditing Services

The Town of Conway, New Hampshire requests qualified independent certified public accountants (hereinafter call the “Auditor”), licensed to practice in the State of New Hampshire, and having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Proposal (RFP), to submit a proposal.

The Town intends to continue the relationship with the selected Auditor for a period of three (3) consecutive years beginning with the fiscal year ending December 31, 2008 and ending with the fiscal year December 31, 2010.

Renewals: Two (2) one-year renewals; thereafter, if mutually agreed.

All inquiries for information should be directed to:

Lucy Philbrick, Finance Director, 603-447-6153, fax 603-447-5012, email lphilbrick@conwaynh.org.

I. INFORMATION FURNISHED TO PROPOSER

A. Background and General Information

1. The Town of Conway is a local government of the State of New Hampshire. The Town serves an area of approximately 72 square miles and a population of approximately 9300.
2. The Town is governed by a five member Board of Selectmen and managed by a Town Manager.
3. Size and complexity of the Town is as follows:
 - a. Personnel/Payroll
 - There are approximately 73 full-time and 19 part time employees
 - Payrolls are bi weekly.
 - There are approximately 2800 direct deposit advises annually.
 - b. Major Revenue Sources
 - Tax bills are issued for approximately 8200 parcels.
 - Bills are issued semi annually.
 - Approximately 14,700 motor vehicle registrations are issued annually.
 - Total dollar amount of most recent year’s collections \$24,565,173
 - Total dollar of property tax levy
 - A. Municipal commitment \$5,231,681
 - B. School commitment \$13,234,488
 - C. County commitment \$1,260,768
 - D. Precinct/Village District(s) commitment \$2,958,345
 - c. Purchasing
 - d. Approximately 1300 purchase orders issued during the average year.
 - Number of bank accounts 8
 - Number of escrow accounts 45
 - Average monthly activity in main accounts

- o Number of deposits (central depository) 91
 - o Number of checks:
 - o Central depository 284
 - o Payroll 100
 - e. Management Information Systems:
 - Number of PCs on the premises 19
 - Core storage of the central processing unit 2MG
 - Total disk capacity of the system 750GB
 - Number of employed programmers capable of modifying the operating system and the application programs 0
4. The Town's fiscal year is from January 1 to December 31.
 5. The Town has a total General Fund budgets for the fiscal year ended December 31, 2008 of \$9,869,661.
 6. Total revenue for all funds was \$9,684,551 for the fiscal year ended December 31, 2007.
 7. The Town has the following funds and account groups:
 - a. Major Governmental Funds:
 - General Fund
 - b. Non-Major Governmental Funds (including permanent funds) :
 - Public Library
 - Police Commercial Detail
 - Recycling Special Waste
 - Conservation Commission
 - Hubbard & Davis Public Forest Reserve
 - MWVEC CDBG
 - Recreation
 - Police DARE
 - Permanent Fund
 - c. Private Purpose Trust Funds:
 - Scholarship Trusts
 - Held for other Governments
 - d. Agency Funds:
 - Performance bonds
 - e. Account Groups
 - General Fixed Assets Account Group
 - General Long-Term Debt Account Group
 8. The most recent audit of the Town was performed by Plodzick and Sanderson for the fiscal year ended December 31, 2007. A copy of the auditors' reports and management letter is available upon written request.

B. Description of Records

1. The following records are maintained on the Town's automated accounting information system Business Management Systems of Franconia, NH:
 - a. General ledger
 - b. Budgetary
 - c. Payroll
 - d. Accounts payable
 - e. Tax collection
 - f. Town Clerk

2. The following financial application(s) are on a separate computer system:
Quick Books is used to bill Solid Waste accounts and to track Police Commercial Details.

C. Objective and Scope of Work to be Performed

1. The audit will encompass a financial and compliance examination of the Town's basic financial statements, supplementary information and compliance reports. The financial and compliance audit will cover federal, state and local funding sources in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the following:

- *Government Auditing Standards* issued by the U.S. Government Accountability Office;
- Single Audit Act of 1984 and Single Audit Act Amendments of 1996, if applicable;
- Provisions of the U.S. Office of Management and Budget OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, if applicable;
- *Government Auditing Standards and Circular A-133 Audits* issued by the American Institute of Certified Public Accountants; and
- All other applicable laws and regulations.

(***Note to Auditee:** *Government Auditing Standards*, a.k.a. the Yellow Book, issued by the GAO, are the auditing standards applicable to *all* government engagements, whereas an audit under the Single Audit Act and OMB A-133 are applicable when a government expends federal funds. The requirements for an audit in accordance with the Single Audit Act and OMB A-133 are contingent upon the number and type of federal programs that are administered, the amount of federal expenditures, and whether the federal program or grant agreement requires a financial statement audit. Generally, governments that expend less than \$500,000 in federal awards within the audit period, or expend from only one federal program, *may* be exempt from the single audit and OMB A-133 requirements for that year.)

2. The Auditor will be responsible for assisting with the preparation of and printing the basic financial statements, supplementary information and compliance reports. The Finance Director will be actively involved in preparing the Management Discussion and Analysis (MD&A), other schedules section and supplementary information. The Auditor will submit a draft of the financial statements to be reviewed in detail by the Finance Director. This draft shall be submitted to the Town in time to allow ample review and corrections.
3. The audit shall result in the preparation of financial statements from the audited records of the Town with the Auditor's opinion thereon. The Auditor's opinion shall be expressed in the report and include reasons for qualifying the opinion, disclaiming the opinion, or rendering an adverse opinion.
4. If required, the Auditor shall perform the audit and prepare all reports pertaining to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. The Auditor is not required to audit the schedule of federal financial assistance. However, the Auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.
5. The auditor should also be familiar with and prepared to advise Town staff on how to best implement both current and proposed GASB Statements. In addition, the auditor is also expected to provide informal advice and consultation throughout the year on matters relating to

accounting and financial reporting. This would not necessarily include any task that entails significant research or a formal report.

6. Should circumstances arise during the audit that require significant additional work to be performed in excess of the amounts set forth in the contract, additional costs shall be negotiated prior to commencement of the work and an amended contract will be submitted for approval to the Governing Body.
7. In planning and performing the audit, the Auditor shall consider the Town's system of internal control over financial reporting as a basis for designing auditing procedures and for the purpose of expressing an opinion on the financial statements. A material weakness shall be defined as a significant deficiency in internal controls, or combination of significant deficiencies that results in more than a remote likelihood that a misstatement of the Town's financial statements will not be prevented or detected by the Town.
8. Non-material conditions and/or other matters that come to the attention of the Auditor related to opportunities for strengthening internal controls and operating efficiencies shall be reported in a management letter.
9. The Auditor shall be required to make an immediate written report of irregularities and illegal acts, or indications of illegal acts of which they become aware to the Finance Director, Town Manager and Governing Body.
10. As guided by AICPA Auditing Standards Board Statement on Auditing Standard No. 68, the Auditor should exercise due professional care in understanding the type of engagement and also requiring that if during the audit the Auditor becomes aware that the Town is subject to audit requirements which may not be encompassed in the terms of the engagement he or she should communicate to management that the audit may not satisfy the requirements.
11. The Auditor shall complete the state required MS-5 report for a timely submission to the State of New Hampshire Department of Revenue Administration-Municipal Services Division.

D. Report Requirements

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

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles for the Town and its component units. The financial audit opinion will cover the basic financial statements. The audit shall lead to the expression of an unqualified opinion on the financial statements unless the auditor justifies to the Town, in advance and in writing, the reasons for an opinion that is other than unqualified. Certain combining and individual financial statements and schedules, and related information are not necessary for a fair presentation, but will be presented as additional analytical data. This supplementary information 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 financial statements taken as a whole.
2. A report on internal control and compliance with laws, regulations, and provisions of contracts and grant agreements based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 and the Single Audit Act, if applicable.

4. A schedule of findings and questioned costs in accordance with the Single Audit act, if applicable.
5. Management letter.
6. State required MS-5 report

E. Assistance to be Provided to the Auditor

1. The Town will designate Lucy Philbrick, Finance Director as the audit engagement coordinator to work directly with the Auditor. The engagement coordinator will have responsibilities for the following:
 - a. Primary contact for questions, securing information, and other pending issues between the Auditor and the Town on items related to the financial statements.
 - b. Receiving initial draft copies and re-drafted copies of the financial statements, management letter and internal control letter from the Auditor and circulating drafts to appropriate personnel.
 - c. Coordinating meetings with Auditor and appropriate personnel.
 - d. Monitoring and reviewing the progress reports from the Auditor.
 - e. Helping to resolve issues with the Auditor not related directly to financial statements.
 - f. Oversight of "Representation Letter" by management to Auditor.
2. The Town will render all feasible assistance to the Auditor and shall respond to requests within reason for information; provide all necessary books and records; provide account analysis worksheets, computer reports on all activity on requested accounts, and provide physical facilities required by the auditors for the expeditious conduct of this engagement.
3. A trial balance with budgeted amounts will be made available to the Auditor via computer diskette, hard copy, or e-mail. The Town represents that the books of account will be fully balanced, all subsidiary ledgers reconciled to control accounts, and all bank account reconciliations for each month will be completed.
4. The staff of the Town will prepare the following information on forms acceptable to the Auditor :
 - a. General
 - i. A working trial balance of each fund
 - ii. A working statement of Revenues, Expenditures, other financing sources and uses, and transfers for each fund
 - iii. A copy of the original budget, amendments, and final revised budget of the Town's general fund and enterprise funds for the audit period
 - iv. A copy of all capital projects and all amendments thereto for all active projects during the audit period
 - v. A copy of any operating and/or capital lease schedules itemizing contracts in force during the audit period as well as access to the lease files maintained in the finance office
 - vi. A copy of the Town financial policies, including purchasing, travel and investment policies
 - vii. A schedule of insurances in force during the year and the insurance expense for the year
 - viii. Management's discussion and analysis (MD&A)
 - ix. Required supplementary information

- b. Cash and Investments
 - i. Schedule of all bank accounts and contact information for confirmations
 - ii. All bank reconciliations for each month
 - iii. List of outstanding checks by account, showing check number, date and amount
 - iv. Schedule of all investments for all funds at the audit date, showing book value and estimated market value.

- c. Receivables
 - i. Listing of unpaid tax bills in detail totaled by levy year as of fiscal year end
 - ii. Listing of outstanding receivables by account for each receivable type and fund as of the fiscal year end.
 - iii. Schedule of miscellaneous receivables booked as of the fiscal year end.

- d. Other Assets
 - i. List of all prepaid expenses as of the fiscal year end.
 - ii. Schedule of insurance coverage

- e. Capital Assets
 - i. Schedule of capital assets including beginning balance, additions, dispositions, depreciation, and ending balance
 - ii. Capital asset listing by asset and classification
 - iii. Printout of all capital asset acquisitions made during the year
 - iv. Printout of all capital asset dispositions made during the audit year

- f. Current Liabilities
 - i. Schedule of accounts payable including batch printouts.

- g. Long-Term Obligations
 - i. Computation of vested compensated absences (sick and vacation) as of the audit date
 - ii. Debt schedules for each debt issue and related payments

- h. Grants
 - i. The following will be compiled for each federal grant:
 - Grant agreement
 - Budget
 - All financial reports
 - Correspondence with the grantor agency, including monitoring reports
 - CFDA# and/or pass-through grant #

- i. Other
 - i. Such reasonable additional schedules may be requested by the Auditor

F. Timing Requirements

1. The Auditor will attend a preplanning conference with the Finance Director and Town Manager prior to the interim field work; periodic conferences during the audit; as well as an exit conference prior to the completion of field work.
2. The Finance Director will receive a listing of requested information needed for the audit at the preplanning conference.
3. The audit must be completed and reports rendered within six months following the fiscal year end of the Town.
4. A preliminary draft of the audit and required journal entries must be submitted to the Finance Director within four months of year end for proofing and reconciliation to the Town's records.
5. The Auditor shall provide 15 bound copies of each audit report, management letter, and other applicable reports within the time frame cited above. In addition, the Auditor shall provide one copy of the original audit reports, management letter and other applicable reports in electronic format.
6. The Auditor shall attend one meeting with the Governing Body, at which the audit report will be discussed.
7. Progress reports are to be submitted with billings. These reports are to measure results against the Auditor's work plan. The Auditor shall promptly report to the Finance Director, and Town Manager any conditions which impede the proper conduct or planned timetable of the audit.

II. PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS

A. General Requirements

1. Sealed proposals will be received until 4:00p.m. on September 30, 2008.
2. All inquiries for information should be directed to:
Lucy Philbrick, Finance Director, 603-447-6153, lphilbrick@conwaynh.org
3. The proposal should be mailed or delivered directly to:
Earl Sires, Town Manager
Town of Conway
1634 East Main St
Center Conway, NH 03813
4. Proposals should be submitted in a sealed envelope. The envelope should include *Technical Proposal* material and *Cost Proposal* material. The *Technical Proposal* will be comprised of the Auditor's experience and qualifications of its personnel in performing governmental audits. .
5. Three (3) copies of each of the Technical and Cost proposals should be submitted.
6. The Town requests that no Town officials be contacted during the process. The Finance Director may be contacted only to clarify questions concerning the RFP.

7. The Town reserves the right to reject any or all proposals if there is good cause; to cancel the solicitation, waive technicalities; request clarification or additional information and be the sole judge of suitability of the services for its intended use and further specifically reserves the right to make the award and negotiate the final contract in the best interest of the Town considering cost effectiveness. Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid. The Town reserves the right to retain all submitted proposals.
8. In order to standardize the review process, the Auditor's Technical and Cost proposals must be presented in the following format and include the designated information. Auditors are cautioned that any deviation from this format may result in the disqualification of their submission.

B. Technical Proposal

1. Title Page

- a. Project title
- b. Name of submitter firm
- c. Address and telephone number of submitter firm
- d. Name of contact person
- e. Date of submission

2. A Letter of Transmittal (limit to one or two pages)

- a. Briefly state the submitter's understanding of the work to be done and make a positive commitment to perform the work within the required time frame.
- b. This letter should be signed by the individual authorized to negotiate for and contractually bind the firm.

3. Table of Contents

- a. Include a clear identification of the material by section and by page number. Such sections will be those identified below.

4. Professional Experience and Qualifications

- a. Indicate the location of the office and the number of people, by level that will handle the audit.
- b. Indicate whether or not the firm is licensed to practice in the State of New Hampshire.
- c. Provide a list of the office's most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in the RFP. Indicate the type(s) of services performed and the number of years served for each. For each engagement listed, provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contracted by the Town for reference.
- d. Indicate the experience of the local office in providing additional services to the government clients by listing the name of each government, the type(s) of services performed, and the number of years of engagement.
- e. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs. Provide a copy of the firm's current peer review including

management letter and responses, if any. Indicate whether review included government engagements.

- f. Describe the professional experience in governmental 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 person will be on site during the Town's audit.
- g. Describe the firm's policy on notification of changes in key personnel on audit engagements. The Town's philosophy is as follows: Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm. Those personnel may also be changed for other reasons with the express prior written permission of the Town. However, in either case, the Town retains the right to approve or reject replacements.
- h. Identify proposed sub-contractors, if any, and the portion(s) of the engagement for which they will be used.
- i. Provide a resume for each individual who may be assigned to the audit which describes his/her professional qualifications, licenses, (e.g. CPA) and experience in auditing relevant government organizations, programs, activities, or functions. Additional information should include any specialized skills, training, or background in public finance. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles or books.
- j. Describe how the firm meets professional independence standards.

5. Approach to the Audit

Describe the firm's specific audit approach in the form of a work plan. The work plan should include an explanation of the audit methods to be used.

- a. Provide an understanding of the services to be performed and the work products to be provided as defined in section I. C. and I. F. of this RFP.
- b. Provide a work plan to accomplish the scope of services, within the required time frame. The work plan should include time estimates by staff level for each of the significant segments of the work and the staff assigned to each segment. Include a brief discussion of the audit procedures to be used in the audit process for each segment.
- c. Proposed segmentation of the engagement
- d. Sample size and extent to which statistical sampling will be used
- e. Extent of use of EDP software in the engagement
- f. Type and extent of analytical procedures to be used in the engagement
- g. Approach to be taken to gain and document an understanding of the Town's internal control structure
- h. Approach to be taken in determining laws and regulations that will be subject to audit test work
- i. Approach to be taken in drawing audit samples for purposes of tests of compliance.

6. Other Information

- a. Describe liability insurance coverage arrangements to assure that it is sufficient to cover claims.

- b. Describe any regulatory action taken by any oversight body against the proposing audit firm or local office, if any.
- c. Identify any potential audit difficulties, along with the firm's proposed resolution and any additional assistance expected from Town staff.
- d. Provide any other information you believe relevant to the decision of selection of the best auditing firm for the Town.

C. Cost Proposal

The Cost Proposal should address the requested information below.

- 1. Describe the organization of the audit team and the approximate percentage of time spent on the audit by each member.
- 2. Comment specifically on the timeline and how the Town can assist in expediting the audit. Describe assistance expected from the Town staff, if other than outlined in RFP.
- 3. Identify a tentative schedule for completing the audit within the specified deadlines.
- 4. Using a format similar to the one shown below, separately specify costs for audit services for the three (3) consecutive years beginning with the fiscal year ending December 31, 2008 and ending with the fiscal year December 31, 2010.
- 5. Include a signed "Authorized Signatures and Attestation" form (Exhibit A).
- 6. Identify and describe any other important cost-based information.

SUMMARY OF ALL INCLUSIVE AUDIT COSTS

	2008	2009	2010
1 Financial Statement Audit (including Management Letter)	\$ _____	\$ _____	\$ _____
2 Financial Statement Preparation	\$ _____	\$ _____	\$ _____
3 MS-5 Report	\$ _____	\$ _____	\$ _____
4 Single Audit	\$ _____	\$ _____	\$ _____
5 Extra Audit Services \$_____ per hour	\$ _____	\$ _____	\$ _____
6 Other (explain)	\$ _____	\$ _____	\$ _____
TOTAL	\$ _____	\$ _____	\$ _____

Selection Process

1. The Auditor Selection Committee will evaluate the proposals. The Auditor Selection Committee will be determined by the Town Manager and may include other Town staff, members of the Governing Body, and non-town members with governmental accounting and auditing expertise. The Committee will use a point formula during the review process to score proposals. Each member of the committee will first score each technical proposal by each of the criteria described below. The individual scores will then be combined to arrive at a composite technical score for each firm. At this point, any firm with an unacceptably low technical score will be eliminated from further consideration.
2. After the composite technical score for each firm has been established, the cost proposals will be analyzed and additional points will be added to the technical score based on bid price. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional shares will be assigned to other proposers.
3. The Town reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether the proposal is selected.
4. Proposals will be evaluated using three (3) sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represents the principal criteria, which will be considered during the evaluation process.
 - a. Mandatory Elements
 - i. The Auditor is independent and licensed to practice in New Hampshire.
 - ii. The Auditor has no conflict of interest with regard to any other work performed by the Auditor for the Town and other entities.
 - iii. The Auditor adheres to the instructions in this request for proposal on preparing and submitting the proposal.
 - iv. The Auditor submits a copy of its last quality control review report and the Auditor has a record of quality audit work.
 - b. Technical qualifications (Maximum Points - 70)
 - i. Expertise and Experience
 1. The Auditor's past experience and performance on comparable government engagements.
 2. The quality of the Auditor's professional personnel to be assigned to the engagement and the quality of the Auditor's management support personnel to be available for technical consultation.
 - ii. Audit Approach
 1. Adequacy of proposal staffing plan for various segments of the engagement.
 2. Adequacy of sampling techniques
 3. Adequacy of analytical procedures
 - c. Price (Maximum Points - 30)
 - i. While an important factor, cost will not be the primary determining factor.

AUTHORIZED SIGNATURE AND ATTESTATION

I, the undersigned, an authorized representative of _____, whose address is _____, have read and thoroughly understand the specifications, instructions and all other conditions of the RFP for Auditing Services issued by the Town of Conway for auditing services for the fiscal years ended December 31, 2008, December 31, 2009 and December 31, 2010.

Acting on behalf of my accounting firm, which is listed above, I do attest that the services offered by us meet the Town of Conway's specifications in every respect (check one) _____without exception/_____with exception.

We therefore, offer and make this bid to furnish the Town of Conway the Audit Services detailed in this proposal, at the prices indicated.

Date: _____

Signature: _____

Printed Name: _____

Title: _____