

**TOWN OF TIVERTON, RHODE ISLAND
REQUEST FOR PROPOSALS**

**PROFESSIONAL AUDITING SERVICES AND AGREED-UPON
PROCEDURES SERVICES**

The Town of Tiverton, Rhode Island, invites qualified independent Certified Public Accountants, licensed to practice in the State of Rhode Island, to submit proposals to conduct an audit and agreed-upon procedures services in accordance with the specification below.

The School Department implemented the Uniform Chart of Accounts (UCOA). The auditors engaged to perform the annual audit of the School Department shall also be engaged to report on their tests of compliance with the School UCOA requirements in an agreed-upon procedures compliance attestation format.

Sealed proposals will be received by the Town Administrator, Tiverton Town Hall, 343 Highland Road, Tiverton, Rhode Island 02878 until **2:00 pm on May 17th, 2017**, at which time they will be publicly opened and read aloud on same day in the Council Chambers, Tiverton Town Hall.

An original and three (3) copies of each proposal should be submitted in a sealed envelope to the attention of the Town Administrator. Plainly marked on the exterior of the envelope should be: YOUR COMPANY NAME and plainly marked on the exterior of the envelope "Audit and Agreed-Upon Procedures Proposals."

All questions should be directed to The Town Administrator, Town of Tiverton, at (401) 625-6710, or by email administrator@tiverton.ri.gov (Subject Line "Audit"). Questions regarding Tiverton Public Schools should be directed to Douglas Fiore, Finance Director Tiverton Public Schools, at (401) 624-8475.

The Town of Tiverton reserves the right to reject any and/or all bids and reserves the right to award the bid to other than the low apparent bidder if the Town deems that the low apparent bidder does not possess the personnel, experience and other resources to complete the audit in accordance with the specifications herein. In any case, the reason for the Town's action will be documented.

Individuals requesting interpreter services for the hearing impaired must notify the Town Clerk at 401-625-6700 three business days prior to the bid opening.

Town of Tiverton

The Town of Tiverton, incorporated in 1746, encompasses an area of 29.36 square miles. The Town has a population of 15,260 according to the 2000 U.S. Census.

The Town's most recent audit available is the fiscal year ended June 30, 2016. A copy of the most recent audit report is available on the Town's website at www.tiverton.ri.gov.

The Town has a \$48,688,418 budget for the fiscal year 2016-2017. Of the total, \$29,623,224 is allocated for education and \$19,065,194 for municipal operations. Approximately 80% of revenues are derived from property taxes.

The Town uses AccuFund Accounting Software, and the School uses HTE Phoenix as its accounting system. Both the Town and the School use an outside payroll service.

SCOPE OF AUDIT ENGAGEMENT

Federal Awards

The Town of Tiverton expends federal awards and an audit must meet the requirements of the Single Audit Act and OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements. Please note that the circumstances could change between fiscal years regarding the expenditure of federal awards and therefore the applicability of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements must be made each fiscal year.

Due Dates for Completion of Audit and Delivery of Reports

An annual audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the municipality. The audit reports must be filed to State Auditor General and State Director of Revenue within six months after the close of the fiscal year for each year (as required by Section 45-10-5 of the General Laws), that is by December 31st of each

year. A copy of the final written correspondence between the audit firm and those charged with governance (The Auditor's Communication with Those Charged with Governance) shall also be delivered to the State Auditor General.

Qualifications of Auditor

1. The firm selected for the audit, (hereinafter Auditor) shall be a firm of certified public accountants holding a valid certification in the State of Rhode Island or from another state having equal professional standards.
2. The Auditor must meet the independence requirements of the American Institute of Certified Public and the independence requirements of *Government Auditing Standards*.
3. The senior accountant in charge of the fieldwork shall be a certified public accountant.
4. The audit organization and the individuals responsible for planning, directing, and conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
5. The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
6. The audit organization shall provide a copy of their most recent external quality control review report to the municipality engaging the auditor.
7. The audit organization shall identify any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.

Audit Contract

1. The audit contract may cover one, two or three fiscal years. Each year must be treated as a separate audit. The contract period shall not exceed three years.
2. Audit contracts covering more than one year shall specify an audit fee for each year and the number of hours included. The audit fee shall be inclusive of all expenses. The audit fees are to be separated for the municipal costs, school costs, and total costs for each year. Bids submitted in any other

manner will not be accepted. The bid should specifically identify the fee for the audit services and the fee for agreed-upon procedures.

3. Continuation beyond the initial fiscal year of the three-year contract will be at the discretion of the municipality.
4. Any representations made with the submission will be relied upon and if proven to be false will be grounds for termination of the contract, if awarded. False representations will also be grounds for forfeiture of all payments under the contract. This will not limit the municipality from seeking any other legal or equitable remedies.

Audit Standards

1. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America.
2. The audit shall also be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. As a single audit is required, the standards contained in the amended (July 1996) single Audit Act of 1984 and the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, must also be followed.

Audit Scope

1. Required services include an audit of the Town's financial records for the fiscal year ending June 30, 2017, 2018, and 2019. This includes but not limited to the following funds: General Fund, School Funds, Capital Project Funds, Special Revenue Funds, Debt Service Funds, Enterprise Funds (1), Trust Funds, Agency Funds.
2. The financial statements to be presented, audited and reported upon by the auditor should be in compliance with GASB Statements. This financial reporting should include Management Discussion and Analysis (MD&A), Government -Wide Financial Statements, Fund financial statements, Notes to the Financial Statements, and Required supplemental information, which includes detailed combining statements (for various programs and school grants), supplementary financial statements, schedules and information.

3. Supplementary Schedule of Expenditures of Federal awards with auditor's opinion thereon.
4. Major Federal Programs: an audit of major programs in accordance with criteria outlined in OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements shall be performed.
5. Other schedules may be required by the Town and/or the State of Rhode Island Director of Revenue, Auditor General, and Department of Education, or as required by the applicable section of the general laws, such as Rhode Island General Law Section (RIGL) 45-10-6 (Contents of Audit Report).

The Tax Collector's Annual Report shall be presented within Other Supplementary Information to meet the requirements of RIGL 45-10-6 for additional information to the basic financial statements. The Tax Collector's Annual report should be presented in accordance with the revised format requirements of the RI Department of Revenue - Division of Municipal Finance (available on the Division's website). The auditors engaged to audit the municipality's financial statements shall also report on the Tax Collector's Annual Report, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

6. Municipal Transparency Portal (MTP) - Enacted legislation amended Rhode Island General Laws §45-12-22.2 and §44-35-10 to improve required reporting by creating the Municipal Transparency Portal (MTP) which will represent a centralized location for municipal financial information. Each municipality shall include their Annual Supplemental Transparency Report, MTP2, within their annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements.

The auditors engaged to audit the municipality's financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Auditors are not required to opine on the municipality's determination of "reportable government services" (RGS) as defined in Section 2.1 of the Municipal Transparency Portal Implementation Guidance. The municipality will make the determination of "reportable government services" for inclusion in the various reports required to be submitted through the municipal transparency portal. However, auditors will be expected to review the

reconciliations as part of the Annual Supplemental Transparency Report, MTP2, (required for inclusion in the audited financial statements as supplementary information) to assess the inclusion of amounts reported which are not within the municipality's or school's general fund.

The format of the required MTP schedules and related reconciliations, as well as, the typical timeline for filing of the annual municipal data report and coordination with annual financial statement audit, are detailed in the MTP Implementation Guidance (available on the Division of Municipal Finance website).

The Independent Auditor's Report would typically include reference to the Annual Supplemental Transparency Report, MTP2, as supplementary information. See the Municipal Transparency Portal Implementation Guidance for additional information.

The State is implementing the new reporting using three phases of pilots. Phase I pilots implemented the above requirements for the fiscal year ended 2016. Phase II pilots will implement the above requirements for the fiscal year ending 2017 and Phase III will implement for the fiscal year ending 2018. The auditor should coordinate with their client to determine the pilot phase and level of reporting required for each fiscal year. The Town of Tiverton plans to participate as a Phase II Pilot implementing the above requirements for the fiscal year ending 2017.

Audit Reports

1. Draft copies of all audit report(s) and the management letter shall be submitted to the Town Administrator and the Town's Treasurer prior to the exit conference so that there will be adequate time for review.
2. Reports to be submitted include:
 - a. Reports on:
 - (1) Basic financial statements including management's discussion and analysis and combining financial statements, based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.
 - (2) Supplementary financial statements, schedules and information

- (3) internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- b. Reports and summaries related to federal financial assistance as required by OMB Guidance (the auditor should refer to applicable OMB guidance in effect and the applicable AICPA Audit Guide for reporting guidance).
- c. Other reports requested by the municipality and/or Auditor General or as required by the applicable section of the general laws.
- d. The Annual Supplemental Transparency Report, MTP2, shall be included within the annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements.

The auditors engaged to audit the financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information (“fairly presented in relation to the municipality’s basic financial statements”).

- e. Combining fund financial statements shall be presented as supplementary information for all non-major governmental funds. Each non-major fund (included within the Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds) shall be presented as separate columns in the combining fund financial statements. Similarly, combining financial statements shall also be presented for each of the other fund types when there is more than one internal service fund, enterprise fund, and fiduciary fund.

Combining financial statements shall be presented for the General Fund when separate funds are maintained within the accounting system but the funds do not qualify as special revenue funds, in accordance with generally accepted accounting principles, and are merged with the General Fund for financial reporting purposes. If the general operations of the school department do not qualify as a special revenue fund and is merged with the General Fund, the supplementary information shall also include a Budget and Actual Statement for the school department.

Management Letter

1. A management letter shall be provided, if applicable, upon completion of the audit to the Members of the Town Council, the Town Administrator, and the Treasurer of the municipality with a copy to the Auditor General.
2. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:
 - a. policies, procedures and practices employed by the municipality.
 - b. weaknesses in the internal controls that are not “significant deficiencies.”
 - c. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
 - d. Compliance with state laws pertaining to the municipality and with rules and regulations established by the municipality.

Additional Information To Be Provided To the Municipality and the Auditor General

The following information must be contained in a written representation by the firm to the municipality:

- the current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of the field work;
- staffing information including;
 - firm size,
 - number of staff allocated to the audit job,
 - relevant qualifications and experience of each person assigned to the audit job;
- The audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million.;
- a list of any professional complaints pending or resolved against the firm or any of its partners with the state boards of accountancy, or any self regulatory, professional or government authority including but not limited to the AICPA, or Rhode Island Board of Accountancy;
- information regarding any lawsuits or claims against the firm, pending or resolved,
- a statement of relevant experience including a list of municipal or other governmental audits performed in the last five years;
- expected time budget and completion date for the audit;
- a statement that there exist no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards;

- ❑ representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.
- ❑ representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accounts and *Government Auditing Standards*.
- ❑ representation that the private auditor of a municipality meets the continuing educational requirements of *Government Auditing Standards*.
- ❑ representation that the private auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The firm will provide the Auditor General with a copy of its most recent external quality control review report; and
- ❑ representation that the private auditor is familiar with generally accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accounts; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and will conduct the audit and will report in accordance with those standards.

Access to Audit Information and Documentation by Auditor General

It is understood that the contract between the Town of Tiverton and the audit firm shall require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his designee). This information includes but is not limited to financial data, analysis, audit documentation, and memorandum. Audit documentation of the independent auditors shall be made available to the Auditor General (or his designee) upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision.

SCOPE OF AGREED-UPON PROCEDURES ENGAGEMENT FOR THE UNIFORM CHART OF ACCOUNTS

The Tiverton School Department implemented the Uniform Chart of Accounts as promulgated by the Auditor General and Commissioner of Education in accordance with Rhode Island General Law 16-2-9.4.

Each municipal school district, regional school district, collaborative, or charter school, which is required to adopt the Uniform Chart of Accounts (UCOA), shall have

additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements.

Please note that the agreed-upon procedures may be subject to subsequent modification.

See Attachment A for the agreed-upon procedures.

The agreed-upon procedures report shall be provided to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or the revised timeline established by the Rhode Island Department of Education and the Office of the Auditor General.

Proposal

The proposal should include the following:

1. **Transmittal Letter** – Briefly state the firm's understanding of the work to be performed as well as the proposed fees, specifically identifying the fee for audit services and the fee for the agreed-upon procedures. Specify the total hours required to complete each project. This letter must be signed by an officer or Principal who is authorized to negotiate for and contractually bind the firm.
2. **Professional Experience** – Describe the firm's municipal audit experience in the last three years, especially in the State of Rhode Island. Describe the firm's participation in professionally sponsored quality control review and attach evidence of the successful completion of this process in the appendix of the proposal. Describe the firm's experience regarding the GFOA Certificate of Achievement and with CAFR (Comprehensive Annual Financial Report). In addition, describe the firm's experience assisting municipalities to be in compliance with GASB Statement No. 34.
3. **Resumes** -- Identify the supervisors and the staff who are to perform the services. Provide resumes/employment histories of these officials illustrating relevant past experience, training, and education.
4. **References** – List the names, addresses, and telephone numbers of five Rhode Island municipalities who may be contacted.
5. **Approach to Engagements** – Describe the proposed work plan designed to accomplish the scope of required services. This plan should identify procedures to be used, the segments of each engagement, a time table for completion of the engagements, and time estimates by staff level for each segment of the engagements.
6. **Fee Schedule** – Identify the all inclusive maximum fees for each year required for performing the audit of the financial statements of the Town of Tiverton for the fiscal

years ending June 30, 2017, 2018, and 2019. The annual agreed-upon procedures fee should be separately identified. In addition, list hourly rates for other consulting/accounting services for each staff level. The Town may require significant additional services in order to be in compliance with GASB Statement No. 34 as well as GASB Statement No. 54 and possible future GASB statements. Please identify the audit cost separately for the School and the Municipal audits as they are separately budgeted. In accordance with Government Auditing Standards, if the firm provides non-audit services, it must evaluate whether providing the services creates independence impairment with respect to the audit of the Town of Tiverton.

Other Requirements

The firm will print, bind, and submit fifty-five (30) copies of the audit reports to the Town and thirty (30) copies of the agreed upon procedures report, with fifteen (15) copies to the Town and fifteen (15) copies to School Department. In addition, a PDF of each document will be provided. Any required copies of each report shall also be submitted to the appropriate State and Federal Agencies.

The firm will be responsible for all costs associated with the generation and mailing of confirmation letters.

The firm will review all adjusting entries with and the Treasurer and the Director of Finance Tiverton Public Schools at the conclusion of the audit.

A representative of the firm will be expected to appear before the School Committee as well as the Town Council to present the findings of the audit and the agreed upon procedures report.

The successful bidder will be required to provide the Town with a Certificate of Insurance for liability in the amount of \$1,000,000.00 and Worker's Compensation Insurance.

Evaluation

An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters. The Town of Tiverton will evaluate each proposal based on the following criteria:

- Municipal audit experience
- Qualification of firm
- Timetable of the engagements completion
- Fees for audit and agreed-upon procedures

Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum points
Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*) 30	30
Maximum evaluation points 100	100

* Evaluation technique – audit fees

Audit fee score = (lowest qualified bid/bid for firm being evaluated) X 30 points

Example: Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

Firm A (the lowest bidder)	awarded 30 points	$\$40,000/\$40,000 \times 30 \text{ points} = 30$
Firm B	awarded 26 points	$\$40,000/\$46,000 \times 30 \text{ points} = 26$
Firm C	awarded 24 points	$\$40,000/\$50,000 \times 30 \text{ points} = 24$

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

The Town reserves the right to reject any and all proposals and accept the one which it deems to be in the best interest of the Town.