

**TOWN OF BURRILLVILLE  
RHODE ISLAND  
REQUEST FOR PROPOSALS**

19-013 Auditing and Agreed-Upon Procedures Services

Specifications for the above may be obtained in person at the Town Clerk's Office at 105 Harrisville Main Street, Harrisville, RI during regular business hours or online at [www.burrillville.org/bids](http://www.burrillville.org/bids).

All sealed bids and proposals are due by Friday, April 26, 2019 at 10:00 a.m. Bids will be publicly opened immediately after and recorded in the Town Hall, 105 Harrisville Main Street Harrisville, RI.

The Town of Burrillville reserves the right to reject any and all proposals, to waive any informality in the bids received, to award a bid in part or in whole, and to accept the proposal that is considered to be in the best interest of the Town of Burrillville.

Michael Larocque, Finance Director

**Town of Burrillville  
Request for Proposals  
#19-013 Auditing and Agreed-Upon Procedures Services**

**I. INTRODUCTION**

**A. General Information**

The Town of Burrillville is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2019, with the option of auditing its financial statements for each of the two [2] subsequent fiscal years. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements as well as the following additional requirements:

1. The minimum requirements of the Office of the Auditor General of the State of Rhode Island and the Department of Education of the State of Rhode Island.
2. There is no expressed or implied obligation for the Town of Burrillville to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.
3. The Burrillville School Department District implemented the Uniform Chart of Accounts (UCOA). The auditors engaged to perform the annual audit of the District shall also be engaged to report on their tests of compliance with the School UCOA requirements in an agreed-upon procedures compliance attestation format.

Proposals must be received by the Town of Burrillville Town Clerk's Office, 105 Harrisville Main Street, Harrisville, RI 02830 by 10:00 a.m. on April 26, 2019. The Town of Burrillville reserves the right to reject any or all proposals submitted. Inquiries should be directed to Michael Larocque, Town Finance Director at [mlarocque@burrillville.org](mailto:mlarocque@burrillville.org).

During the evaluation process, the Town reserves the right, where it may serve the Town of Burrillville's best interest, to request additional information or clarifications from proposers, or to allow corrections of minor errors or omissions. At the discretion of the Town of Burrillville, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

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The Town of Burrillville reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Burrillville and the firm selected.

It is anticipated that the selection of a firm will be completed at the May 8, 2019 Town Council meeting. Following the notification of the selected firm, it is expected a contract will be executed between both parties by May 17, 2019.

### **B. Term of Engagement**

A three-year contract is contemplated, subject to the annual review and recommendation of the Town Manager and the Finance Department with the concurrence of the Burrillville Town Council.

## **II. NATURE OF AUDIT SERVICES REQUIRED**

### **A. General**

The Town of Burrillville prepares a Comprehensive Annual Financial Report [CAFR]. The Town is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2019 with the option to audit the Town of Burrillville's financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

### **B. Scope of Work to be Performed**

The Town of Burrillville desires the auditor to express an opinion on the fair presentation of its basic financial statements, which will include government-wide financial statements, fund financial statements, and notes to the financial statements in conformity with generally accepted accounting principles.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information as required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

Required Supplementary Information shall include:

- Management's Discussion and Analysis
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
- Schedules related to defined benefit pension plans and OPEB plans, if applicable

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The Town also desires the auditor to express an "in-relation-to" opinion on the supplementary financial statements and schedules based on the auditing procedures applied during the audit of the basic financial statements.

Supplementary financial statements, schedules and information shall include:

- 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.

The auditor is not required to audit the supplementary schedule of expenditures of federal awards. 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.

If applicable, an audit of major programs shall be performed in accordance with the criteria outlined in OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

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").
- 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. The Town is a Phase III pilot and implemented the above requirements for the fiscal year ended 2018.

In addition to the Town information/data, the CAFR includes:

1. The Burrillville School Department,
2. The Burrillville Sewer Authority,
3. The Burrillville Redevelopment Agency, and
4. The Jesse M. Smith Memorial Library

### **C. Auditing Standards to be Followed**

To meet the requirements of this request for proposals, the audit shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute for Certified Public Accountants,

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- The standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States,
- The provisions of the Single Audit Act of 1984 (as amended by the Single Audit Act Amendments of 1996),
- The provisions of U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements
- The auditing and reporting requirements of the RI Auditor General, and
- The guidelines of the RI Department of Education.

### **D. Reports to be Issued**

Upon completion of the audit of the fiscal year's financial statements, the auditor shall issue following reports:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles for the Town of Burrillville, School Department, the Burrillville Sewer Authority and Burrillville Redevelopment Agency based upon an audit performed in accordance with generally accepted auditing standards and Government Auditing Standards. The auditor shall also make reference to, but not opine on, required supplementary information consistent with reporting guidance in the applicable AICPA Audit Guide.
2. A report on supplementary financial statements, schedules and information, are fairly stated in all material respects in relation to the basic financial statements as a whole.
  - The supplementary information shall include the Annual Supplemental Transparency Report (including the reconciliations), MTP2, and the Tax Collector's Annual Report.
3. A report on internal control over financial reporting and on compliance and other matter based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
4. A report on compliance for each major federal program and report on internal control over compliance as required by the Uniform Guidance.
5. 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) and a completed Form SF-SAC, "Data Collection Form for Reporting on Audits of State, Local Governments and Non-Profit Organizations" to be submitted in accordance with the method of submission for Form SF-SAC and Single Audit reporting packages (per OMB Public Notice), to the Federal Audit Clearinghouse Internet Data Entry System.

6. A report related to:
  - School Department Financial Operations
7. Other reports that may be requested by the Director of Revenue and/or Auditor General or as required by the applicable section of the general laws.

In the required reports on internal controls, the auditor shall communicate any significant deficiencies during the audit. A significant deficiency shall be defined as a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant deficiencies that are also material weaknesses shall be identified as such in the report.

Other matters, for example, control deficiencies that are not significant deficiencies or material weaknesses discovered by the auditor shall be reported in a separate letter to management.

The report on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter.

The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:

1. Policies, procedures and practices employed by the municipality and school department.
2. Immaterial weaknesses in the internal controls that are not "significant deficiencies."
3. Use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
4. Compliance with state laws pertaining to the municipality and with rules and regulations established by the municipality.

Upon completion of the audit, the management letter will be submitted to the Finance Director of Burrillville, with copies to the Director of Revenue and the Auditor General. Separate management letters will be submitted to the School Department and Sewer Commission.

The accounting firm will hold preliminary exit conferences with the Town Finance Director, School Business Manager, and Wastewater Treatment Superintendent to discuss the audit as it relates to the respective departments. After the preliminary exit conferences are completed, the accounting firm

will meet with the Finance Director and Town Manager to review draft copies of the aforementioned reports before such reports are issued to the Audit Committee and Town Council.

At the conclusion of the audit, a representative of the accounting firm will be expected to appear before the Audit Committee and then the Town Council to discuss the findings of the audit.

**Fraud, Irregularities and Illegal Acts.**

Auditors shall be required to make an immediate, written report of all fraud, irregularities and illegal acts of which they become aware to the Town Manager and Town Council

**E. Special Considerations**

Outlined below are certain additional requirements, which the Town requires. The cost of providing these services should be included in the all-inclusive maximum price.

1. The Town of Burrillville will be sending its comprehensive annual financial report (CAFR) to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement of Excellence in Financial Reporting program. While all supplemental information including the Letter of Transmittal and the Statistical Section will be prepared by the Finance Department, it is expected that the auditor will be responsible for printing the CAFR. The auditor will also be responsible for preparing the financial statements, based on trial balances prepared by the Finance Department, to meet the necessary guidelines of the program.
2. Draft copies of all audit reports and management letters shall be submitted to the Finance Director of the Town prior to the exit conference so that there will be adequate time for review.
3. The supplementary schedule of expenditures of federal awards and related auditor's report, as well as the reports on internal control and compliance, are to be issued as part of the comprehensive annual financial report.
4. Difficulties may be encountered in implementing and complying with specific reporting requirements mandated by the GASB. The auditor will be responsible to work with the Finance Director to ensure proper implementation and compliance with any new pronouncements effective during the contract. 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.

**F. Potential Additional Work –**

1. Any amendments to the contract for additional work will be negotiated in good faith. Provided, however, in the event that the parties cannot mutually agree on additional work to be performed and the cost for said work, then the Town, at its option may rescind the option period. All potential additional work outside of the scope of the



contract will be discussed in advance of work being completed. Any such amendments must have a written estimate to include the number of hours and dollar amounts required to complete the task to be submitted to the Director of Finance.

2. Any such additional work agreed to between the Town and the audit firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

### **G. Audit Documentation Retention and Access to Audit Documentation**

All audit documentation and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the Town of the need to extend the retention period. The auditors will be required to make copies of all working papers requested by the Finance Director.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review audit documentation relating to matters of continuing accounting significance.

It is understood that the contract between the municipality 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 memorandums.

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.

### **III. NATURE OF AGREED-UPON PROCEDURES SERVICES REQUIRED**

The Burrillville School Department implemented the Uniform Chart of Accounts (UCOA) 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 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.

See Appendix D for the agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

Twenty [20] copies of the final agreed-upon procedures report on the School Department's compliance with the Uniform Chart of Accounts shall be delivered to Michael Larocque, Finance Director.

Auditors should have performed the test work necessary to complete the UCOA Agreed-Upon Procedures before issuing the audit report. The agreed-upon procedures report along with the audited financial statements 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 communication of the results of the UCOA Agreed-Upon Procedures engagement can follow, but not later than 30 days after completion of the financial statement audit.

**IV. DESCRIPTION OF THE GOVERNMENT**

**A. Name and Telephone Number of Contact People**

Michael Larocque	Finance Director	568-9456	Finance Department
Robin Kimatian	Business Manager	568-1303	School Department
Michael Emond	Superintendent	568-6296	Sewer Authority

**B. Background Information**

The Town of Burrillville serves an area of 57 square miles with a population of 16,341. The Town of Burrillville's fiscal year begins on July 1 and ends on June 30.

The accounting and financial reporting functions of the Town of Burrillville, with the exception of the School department and Sewer Commission, are centralized within the Finance department.

**C. Fund Structure**

The Town of Burrillville used the following fund types and account groups in its financial reporting for the fiscal year ending June 30, 2018:

Fund Type/Account Group	Number of Individual Funds	Number With Legally Adopted Annual Budgets
General fund	1	1
Special revenue funds	24	1
Component Unit	2	0
Debt service funds	0	0
Capital projects funds	11	0
Enterprise funds	2	1
Internal service funds	0	0
Expendable trust funds	0	0
Permanent funds	4	0
Pension trust funds	0	0
Agency funds / Custodial funds	1	0



**D. Schedule for the 2019 Fiscal Year Audit** (A similar schedule will be developed for audits of future fiscal years if the Town of Burrillville exercises its option for additional audits.)

The auditor shall complete each of the following **no later** than the dates indicated.

1. Interim Work  
The auditor shall complete all interim work by July 31, 2019
2. Detailed Audit Plan  
The auditor shall provide the Town of Burrillville by June 28, 2019 both a detailed audit plan and a list of all schedules to be prepared by the Town of Burrillville.
3. Fieldwork  
The auditor shall complete all fieldwork by October 15, 2019.
4. Draft Reports  
The auditor shall have drafts of the audit report(s) and recommendations to management available for review by the Finance Director by November 1, 2019.

**E. Date Final Report is Due by November 30, 2019.**

The Finance Department shall prepare preliminary trial balances, and all required supplementary schedules by August 31, 2019. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Finance Director/Treasurer by October 15, 2019. A draft auditor's report shall be delivered to the Finance Director/Treasurer by November 1, 2019.

The Finance Director/Treasurer will complete his review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports of the Town and School. Once all issues for discussion are resolved, the final signed report shall be delivered to the Finance Director/Treasurer within 14 working days. It is anticipated that this process will be completed and the final report delivered by November 29, 2019.

The final report [hard copy and electronic copy] and 20 signed copies should be delivered to Michael Larocque, Finance Director at 105 Harrisville Main Street, Harrisville, RI 02830. In addition, the accounting firm will print, bind, and submit a sufficient number of copies to meet the reporting requirements of the School Department in terms of their Component Unit and Department of Education reports [Including audit, management letters, UCOA compliance, Pupil Count, Single audit]. The final audit reports (inclusive of all audit communications) related to the financial statements shall also be delivered to the State Auditor General and State Director of Revenue within six months after the close of the fiscal year for each year. A copy of final written correspondence between the audit firm and those charged with governance (e.g. The Auditor's Communication with Those Charged with Governance) shall also be delivered to the State Auditor General.

**VI. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

**A. Finance Department and Clerical Assistance**

The Finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the Town of Burrillville based on information requested by the auditor.

**B. Electronic Data Processing (EDP) Assistance**

The Data Processing Manager will be available to provide systems documentation and explanations.

**C. Statements and Schedules to be prepared by the Staff of the Town of Burrillville.**

The staff of the Town of Burrillville will prepare the statements and schedules outlined in the Detailed Audit Plan (Section V.D.2), for the auditor by August 15, 2019.

**D. Work Area, Telephones and Photocopying**

The Town of Burrillville will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephone lines and photocopying facilities. All long distance telephone calls not associated with the Burrillville audit are to be reimbursed by the audit firm to the Town. A telephone log sheet shall be maintained by the auditor and be given to the Finance Director at the end of each month.

**E. Report Preparation**

Report preparation, editing and printing shall be the responsibility of the auditor. CAFR sections in the report will be prepared by the Town and delivered to the auditor for printing. The Management Discussion and Analysis (MD&A) section of the report may require that some pages are printed in color. Future changes to the MD&A section may require color printing.

**VII. PROPOSAL REQUIREMENTS**

**A. General Requirements**

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Michael Larocque  
Finance Director  
105 Harrisville Main Street  
Harrisville, RI 02830  
Mlarocque@burrillville.org

2. Submission of Proposals

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The following material is to be received by Friday, April 26, 2019, at 10:00 am for a proposing firm to be considered:

- a. A master copy (so marked) of a Technical Proposal and five (5) copies to include the following:
  - i. Title Page  
Title page showing the request for proposals' subject; the firm's name; the name, address and telephone number of a contact person; and date of the proposal.
  - ii. Table of Contents
  - iii. Transmittal Letter
    - A signed letter of transmittal briefly stating the proposer's understanding of the work to be done,
    - The commitment to perform the work within the time period,
    - A statement why the firm believes itself to be best qualified to perform the engagement and
    - A statement that the proposal is a firm and irrevocable offer for a three year period.
  - iv. Detailed Proposal  
  
The detailed proposal should follow the order set forth in Section VII - B of this request for proposals.
  - v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposals (Appendix A and Appendix B).
- b. The proposer shall submit an original and five (5) copies of a dollar cost bid (Appendix C) in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID  
PROPOSAL FOR  
TOWN OF BURRILLVILLE  
FOR  
PROFESSIONAL AUDITING SERVICES  
AND AGREED-UPON PROCEDURES SERVICES  
**19 – 005**

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

TOWN OF BURRILLVILLE  
OFFICE OF THE TOWN CLERK  
105 HARRISVILLE MAIN STREET  
HARRISVILLE, RI 02830

## **B. Technical Proposal**

### 1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Town of Burrillville in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirement.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid.) The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 9, must be included. They represent the criteria against which the proposal will be evaluated.

### 2. Independence

The firm should provide an affirmative statement that it is independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*.

The firm should also list and describe the firm's professional relationships involving the Town of Burrillville or any of its agencies or component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

### 3. License to Practice in Rhode Island

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Rhode Island.

### 4. Firm Qualifications and Experience

The proposal should state

- a. the size of the firm,

- b. the size of the firm's governmental audit staff,
- c. the location of the office from which the work on this engagement is to be performed,
- d. the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number, and
- e. the nature of the staff to be so employed on a part-time basis.

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 is also required to submit a copy of the report on its most recent external quality control review report as required by *Government Auditing Standards is required*, with a statement whether that quality control review included a review of specific government engagements and also submit the results of any subsequent review performed during the term of the contract. The firm will provide the Auditor General with a copy of its most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract.

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 Accountants; *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 Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and will conduct the audit and will report in accordance with those standards.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm or its partners with state regulatory bodies or professional organizations.

List of any professional complaints pending or resolved against the firm or any of its partners with any state boards of accountancy, or any self regulatory, professional or government authority, including but not limited to, the AICPA, or RI Board of Accountancy.

The firm must provide information regarding any lawsuits or claims against the firm, pending or resolved. If there are none, then there must be a statement to that effect. The firm must also indicate the amount and type of professional liability coverage that it carries (Appendix B). 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.

An affirmative statement should be included indicating that the firm meets the continuing educational requirements of *Government Auditing Standards*.

##### 5. Partner, Supervisory and Staff Qualifications and Experience



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The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Rhode Island. The senior accountant in charge of the fieldwork shall be a certified public accountant. The firm also should provide information on the government auditing experience of each person, including information on meeting continuing professional education requirements of *Government Auditing Standards* for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Town of Burrillville. However, in either case, the Town of Burrillville retains the right to approve or reject replacements.

The firm should identify any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal. Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the Town of Burrillville, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience. However, the Town of Burrillville retains the right to approve or reject replacements.

### 6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

### 7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposals.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement

- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement and expected completion date of the audit.
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the Town of Burrillville's internal control structure
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
- h. Approach to be taken in drawing audit samples for purposes of test compliance

#### 8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Town of Burrillville.

#### 9. Report Format

The proposal should include sample formats for required reports. A sample municipal and school audit report should be enclosed for the Town's review.

#### 10. Insurance (See Appendix B)

**NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL**

### **C. Sealed Dollar Cost Bid**

#### 1. Total All-inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

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The dollar cost bid should specifically identify the fee for the audit services and the fee for the agreed-upon procedures.

Should additional work become necessary, any and all additional audit related work will require approval of the Town's Director of Finance prior to being performed. Request must be made in writing. No work will commence without written consent. No billing for audit related work will be recognized as being valid without prior written consent from the Town of Burrillville's Director of Finance.

The Town of Burrillville will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information (see Appendix A, B & C for forms):

- a. Name of Firm
- b. 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 Town of Burrillville.
- c. A Total All-inclusive Maximum Price for the:
  - 2019 engagement.
  - 2020 engagement [Optional]
  - 2021 engagement [Optional]
- d. The audit contract price(s) must be separated for each fiscal year and detailed as to:
  - i. Town of Burrillville
    - a. (including the Burrillville Redevelopment Agency and Jesse Smith Library - component units)
  - ii. Burrillville School Department
  - iii. Burrillville Sewer Commission
  - iv. Rates by Partner, Manager, Senior and Staff Level times hours anticipated for each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix C) that supports the total all-inclusive maximum price.

2. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates

All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

3. Rates for Additional Professional Services

If it should become necessary for the Town of Burrillville to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the Town of Burrillville and the firm.

Any such additional work agreed to between the Town of Burrillville and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid. Firms may quote different prices for certain times of the year.

4. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month.

**VIII. EVALUATION PROCEDURES**

**A. Evaluation Criteria**

An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters. Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Rhode Island.
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the Town of Burrillville.
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.

- e. The firm adheres to the instruction in this request for proposals on preparing and submitting the proposal.
  - f. The firm's capacity to meet required deadlines (e.g. staffing levels and other government engagements with similar due dates).
  - g. The firm's track record for meeting contractual deadlines for completion of audits.
2. Technical Qualifications:
- a. General Qualifications and Experience
  - b. Governmental Expertise and Experience
    - 1. The firm's past experience and performance on comparable government engagements including the issuance of a comprehensive annual financial report, if any.
      - a. Please provide a list and dates of government audits conducted over the last five years.
    - 2. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
  - c. Audit Approach
    - 1. Adequacy of proposed staffing plan for various segments of the Engagement.
    - 2. Adequacy of sampling techniques.
    - 3. Adequacy of analytical procedures.

3. Price

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

	<b>Maximum points</b>
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
<b>Maximum evaluation points 100</b>	<b>100</b>

\* 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.

**COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.**

**B. Oral Presentations**

During the evaluation process, the Town may, at its discretion, request any one or all firms to make an oral presentation. Such presentation will provide firms with an opportunity to answer any questions the Town may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

**C. Final Selection**

The Town Council will select a firm based upon the recommendation of the Town Administrative staff. It is anticipated that a firm will be selected by May 9, 2019. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 16, 2019.

**D. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Burrillville and the firm selected.

The Town of Burrillville reserves the right without prejudice to reject any or all proposals.

**IX. OTHER**

1. Penalties or fines imposed on the Town due to the auditor not being completed and/or audit reports not being issued and delivered to the Town and filed with the Rhode Island Auditor General and State Director of Revenue as required by RIGL 45-10-5 of each year, determined to be the fault of the auditor, shall be borne and paid by the auditor.
2. The Town of Burrillville is an equal opportunity employer and does not discriminate against any person, employee, student, or applicant on the basis of race, color, religion, sex, sexual orientation, national origin age, ancestry, marital status, military status, physical or mental disability. By submission of your bid, you, the contractor, agree not to discriminate in the above named areas and in the event of non-compliance the Town may declare the contractor in breach and take any necessary legal recourse including termination and/or cancellation of the contract.
3. An exit conference will be conducted at the conclusion of each examination. The participants may include, but not be limited to, members of the Town Council, Audit Committee, representatives from the Town's Finance Office, the Budget Board Chair, Sewer Commission, members of the School Committee and other representatives from the School Department and must include the firm performing the examination. The firm's representative should at minimum:
  - a. Review and explain findings, conclusions, and recommendations included in the reports,
  - b. Explain any observations which may be helpful, but which do not warrant inclusion in the reports, and
  - c. Obtain concurrence regarding all findings, conclusions, and recommendations.

**APPENDIX A**

**PROPOSER GUARANTEES**

- I. The proposer certifies *it can and will* provide and make available, at a minimum all services set forth in Section II, Nature of Audit Services Required and Section III, Nature of Agreed-Upon Procedures Services Required.
  
- II. The proposer certifies that the person signing this proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the Town of Burrillville.

Signature of Official: \_\_\_\_\_

Name (typed.): \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_



**APPENDIX B**

**PROPOSER WARRANTIES**

- A. Proposer warrants that it is willing and able to comply with State of Rhode Island laws with respect to foreign (non-state of Rhode Island) corporations.
  
- B. Proposer warrants that it will maintain in full force at all times professional liability to include errors and omissions in the minimum amount of \$1 million per occurrence and supply evidence of the same to the Town, listing the Town as additional insured. In addition, the proposer shall also supply evidence of Workers Compensation insurance at the State of RI minimum required levels.
  
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express written permission of the Town of Burrillville, RI.
  
- D. Proposer warrants 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.
  
- E. Proposer warrants that all information provided by it in connection with this proposal is true and accurate. Proposer further understands that 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.
  
- F. Proposer warrants that there are no client conflicts that would inhibit the ability to the audit in accordance with professional standards.
  
- G. Proposer warrants that it is independent under the requirements of the American Institute of Certified Public Accountants and Government Auditing Standards.

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX C**  
**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**  
**FOR THE AUDIT OF THE 2019 FINANCIAL STATEMENTS AND UNIFORM CHART OF**  
**ACCOUNTS AGREED-UPON PROCEDURES (AUP)**

Firm Name \_\_\_\_\_

	Town Hours	WWT Hours	School Hours	Single Audit Hours	Total Hours	AUP Total Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners									
Managers									
Senior									
Staff									
Other (specify):									
Subtotal									
Out of Pocket Expenses									

Total all-inclusive maximum price for 2019 audit \$ \_\_\_\_\_

Town \$ \_\_\_\_\_ WWT \$ \_\_\_\_\_ School \$ \_\_\_\_\_

Total all-inclusive maximum price for 2019 AUP \$ \_\_\_\_\_

Total all-inclusive maximum price for 2020 audit \$ \_\_\_\_\_

Town \$ \_\_\_\_\_ WWT \$ \_\_\_\_\_ School \$ \_\_\_\_\_

Total all-inclusive maximum price for 2020 AUP \$ \_\_\_\_\_

Total all-inclusive maximum price for 2021 audit \$ \_\_\_\_\_

Town \$ \_\_\_\_\_ WWT \$ \_\_\_\_\_ School \$ \_\_\_\_\_

Total all-inclusive maximum price for 2021 AUP \$ \_\_\_\_\_

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

## APPENDIX D

### Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

#### OVERVIEW:

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. The auditors engaged to perform the annual audit of the entity shall also be engaged to report on their tests of compliance with UCOA requirements in an agreed-upon procedures compliance attestation format.

A minimum sample of transactions shall be selected and tested for compliance with UCOA provisions. Additionally, selected UCOA compliance requirements shall be included within the agreed-upon procedures compliance work program.

The municipal school district, regional school district, collaborative, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education (RIDE) and the Office of the Auditor General by December 31 or at the conclusion of the annual audit if an extension has been approved by the Auditor General. For school districts, regional school districts, collaboratives, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall also be provided by December 31 for the activity related to the year ended on the preceding June 30.

#### COMPLIANCE TESTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29. For practitioner's reports dated on or after May 1, 2017, the guidance in the clarified attestation standards (SSAE No. 18) shall be followed – AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. Also beginning with fiscal 2017 engagements, the auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67.

- 1. A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, or charter school shall be tested for compliance with UCOA coding requirements.**

Select a sample of 35, 45, or 60 (see below) transactions from the universe of all expenditures in the final UCOA format upload file for the fiscal year as reported to the Rhode Island Department of Education (RIDE). A detailed transaction level file should be obtained from the entity's accounting system to correspond with the final UCOA upload file provided to RIDE for the preceding fiscal year. RIDE will provide a Validation Totals Report to each school district, collaborative, and charter school to confirm the final

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upload file information. The sample of transactions to be tested for compliance with UCOA coding shall be selected randomly from the detailed transaction file for the fiscal year.

Alternatively, the auditor may obtain a preliminary fiscal year file from the reporting entity's accounting system for purposes of selecting a sample of transactions to test. When a preliminary file is used for selecting the sample, the auditor will be required to reconcile changes from the preliminary file to the final validated upload file and determine the significance of any changes and assess the validity of the sample.

Sample size shall be determined as follows:

- Smaller school districts, regional school districts, collaboratives, or charter schools having aggregate fiscal year expenditures of less than \$5 million shall utilize a minimum sample size of **35** transactions to be tested for UCOA coding compliance.
- School districts, regional school districts, collaborative, or charter schools, having aggregate fiscal year expenditures greater than \$5 million but less than \$50 million, shall utilize a minimum sample size of **45** transactions to be tested for UCOA coding compliance provided there are no significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit. School districts, regional school districts, collaboratives, or charter schools with expenditures greater than \$5 million which also have significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit shall utilize a minimum sample size of **60** transactions.
- School districts, regional school districts, collaboratives, or charter schools, having aggregate fiscal year expenditures greater than \$50 million, shall utilize a minimum sample size of **60** transactions to be tested for UCOA coding compliance.

Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified based upon UCOA classification requirements included in the Uniform Chart of Accounts guidance for the fiscal year. The segments of the account number to be tested for compliance shall include the following:

- Fund/Subfund
- Location
- Function
- Program
- Subject
- Object
- Job classification (for applicable personnel costs)

For personnel costs selected for testing, Location (school/department) and Job Classification shall be tested by tracing the employee to the entity's assignment roster for the applicable school year.

All noncompliance found in the sample of expenditure transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction and the specific noncompliance observed.

**2. UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if the entity's systems and procedures support the following UCOA requirements:**

- Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school as reported in the final audited financial statements.
- The UCOA accounts and methodologies are maintained within the actual accounting systems and are not converted to UCOA requirements outside of the accounting system.

Determine if any variance exists in revenue or expenditures between the total amounts reported (uploaded) to the UCOA database and audited amounts reported within the Fund/Subfund on the financial statements of the municipal school district, regional school district, collaborative, or charter school. Any variances shall be reported. Transfers between funds on a GAAP basis (e.g., transfer of appropriations from the municipality's general fund to the unrestricted school fund) are treated as revenues in the unrestricted school fund for UCOA reporting purposes.

**Note:** *The reporting entity will be required to amend its UCOA upload file to include final amounts which reflect audit adjustments, if applicable.*

Determine if the amounts reported (uploaded) to the UCOA database are present in form and content within the accounting system of the reporting entity by requesting a copy of the last report of coding errors identified by RIDE just prior to the final upload with zero errors. Trace to the corrections made to the school's accounting system to address the errors. All errors shall be tested, up to a maximum of five errors if more than five errors are listed.

**3. Costs for debt service and lease and rental of buildings must be recorded consistent with specific UCOA requirements. Amounts charged to Function 421 should be reconciled to the sum of expenditures considered debt service for financial reporting purposes and annual or longer term leases for rental of the main school facility (or facilities if the school has more than one location). Short-term leases should not be included in Function 421.**

**UCOA Rules to be Tested:**

- ❖ *Debt Service related to buildings or building and land leases is included in Function 421 (Debt Service); these are **not** charged to Function 321 (Building Upkeep, Utilities, and Maintenance).*
- ❖ *Expenditures for rental of the main facility (or facilities if the school has more than one location) must be charged to Function 421 (Debt Service). This provides a level of comparability between those that rent facilities and those that own them.*
- ❖ *Annual or Longer term Leases must be charged to Function 421 (Debt Service). Short-term leases and rentals should be charged to Function 321 (Building Upkeep, Utilities and Maintenance).*

❖ *Short-term or revolving credit debt is included in Function 332 (Business Operations); these are **not** charged to Function 421 (Debt Service).*

**4. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:**

- **Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.**
- **The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)**
- **Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.**
- **Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.**
- **Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.**

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account.

Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of UCOA.

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Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1).

If the entity is using the intra-fund UCOA Allocation Tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.

### **UCOA Rules to be Tested:**

- ❖ *In all cases, compensation costs and related benefit costs for each employee must be accounted for in the same Fund/Subfund – they may not cross Funds. Districts may NOT account for the compensation in one Fund/Subfund and the benefits in another. For example, if 50% of an individual’s salary is charged to the General Fund and 50% to a Special Revenue Fund, then the allocations of Benefits MUST follow the exact same percentages. When related to a particular grant, if the grant is insufficient to cover all the costs, the same prorated amount for each category (compensation and benefits) shall be used up to the limit of the grant.*
- ❖ *Charges to the Location segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: For employees who perform their job requirements at multiple locations and performance of those duties requires a minimum of 20% of their time to any given Location those costs must be charged to the applicable Location accounts accordingly. If however, the performance of duties at any given Location is less than 20% of their time, charges to those locations are not required, but are permissible.*
- ❖ *Charges to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: If an employee has a “Hands-On” relationship to multiple activities being performed and performance of those duties requires a minimum of 20% of their time to any given activity (Function), those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the “Hands-On” work, is less than 20% of their time, charges to those Functions are not required, but are permissible.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110 (Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).*
- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*
- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing **less** than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach **more** than 10% of their time must record instruction time to Subject 0000 (General Education).*

- ❖ For Short-Term Substitute Teachers (Job Classifications 1295-1299) with Function 112, use only Subject 0000 for all compensation and directly-related benefit accounts.
- ❖ For Long Term Substitute Teachers (Job Classification 1294) with Function 112, use the Subject for the job for which the Substitute has been engaged to teach for all compensation and directly-related benefit accounts.
- ❖ For all Substitute Teachers (Job Classifications 1294-1299) with Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace, for all compensation and directly-related benefit accounts. However, when a Substitute Teacher teaches multiple subject in a given day (e.g. Math and English), Subject 0000 may be used in place of the specific subject for which they are subbing. Use of this exception should be limited.

**5. Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:**

- **Object 51113 represents the portion of a teacher’s regular salary, as specified in a contract or agreement, for professional days.**
- **Object 51302 represents additional payments made to a teacher for attending school-based professional development.**
- **Object 51303 represents additional payments made to a teacher for attending District-based professional development.**
- **Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.**

A review of union contracts and the adopted budget will provide information related to professional development to be offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to both Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Select a sample size of 5 transactions posted to Object 53301 (If less than 5 total transactions, sample all transactions). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series. (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement.)



**UCOA Rules to be Tested:**

**DEFINITION: Object 51113 - Professional Days.** Full-time, part-time, and prorated portions of the costs for professional development days for employees of the District.

- *Include in **Object 51113** (Professional Days) the amount prorated from Object 51110 (Regular Salaries) the actual number of days included in applicable contracts and agreements relating to Professional Days or Professional Development or prorated based on the anticipated number of days if not specified in the contracts.*
  
- *For **Object 51113**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For each employee, use the same Location, Program, Subject, and Job Classification account number as is used with Object 51110 (Regular Salaries).*

**DEFINITION: Object 51302 – Professional Development - School.** Amounts paid to District employees (in addition to regular salaries) for professional development that is related to School-based (and budgeted at the School level) professional development.

**DEFINITION: Object 51303 – Professional Development - Districts.** Amounts paid to District employees (in addition to regular salaries) for professional development that is related to District-based (and budgeted at the District level) professional development.

- *For **Objects 51302 and 51303**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.*
  
- For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.*
  
- For Out-of-District Locations, use Function 431 only.*
  
- Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.*
  
- For employees whose Function account is in the 100 or 200 Series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" Concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500.*
  
- For employees whose Function account is in the 300 or 400 Series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 **only**.*

**DEFINITION: Object 53301 – Purchased Professional Development and Training Services.** Services supporting the professional development and training of District personnel, including instructional and administrative employees. Also applies to fees paid to consultants who attend training sessions provided by the District.

- For **Object 53301**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

*For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.*

*For Out-of-District Locations, use Function 431 only.*

*Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.*

*Use the specific Subject account for the Subject to which Professional Development Services are rendered ("Follow the Topic"). For General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. Subjects 9700, 9800, and 9900 may not be used.*

**COMPLIANCE REPORTING REQUIREMENTS:**

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29. For practitioner’s reports dated on or after May 1, 2017, the guidance in the clarified attestation standards (SSAE No. 18) shall be followed – AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. Also beginning with fiscal 2017 engagements, the auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67.

The auditor shall provide a written report in accordance with the applicable sections of the Statements on Standards for Attestation Engagements and *Government Auditing Standards*, as highlighted above.

Refer to Exhibit 1 for the agreed-upon procedures and the format for reporting the procedures performed and results of testing.

Additionally, any noncompliance with UCOA requirements and the effectiveness of the entity’s internal control over compliance with UCOA requirements should be considered in drafting the Independent Auditor’s Report on 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*.

Management comments provided to the entity should be inclusive of any recommendations to improve compliance or controls over compliance with UCOA requirements.

**EXHIBIT 1 – Sample Reporting Template**

**REQUIREMENT 1:**

A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, or charter school shall be tested for compliance with UCOA coding requirements.

**PROCEDURES:**

Obtain a copy the school entity’s signed acknowledgment of the UCOA File Validation Totals Report received from the RI Department of Education (RIDE). Obtain a detailed transaction level file from the school entity’s accounting system which corresponds with the final UCOA upload file provided to RIDE.

Describe procedures for selecting the sample, the sample size selected, and the tests performed in accordance with the criteria outlined on pages one and two of this document. Please note - If a preliminary fiscal year file is used for selecting the sample, reconcile changes from the preliminary file to the final validated upload and determine the significance of any changes and assess the validity of the sample.

**RESULTS:**

For each instance of noncompliance, enter the transaction detail in the table below. Highlight the account number segment that is not in compliance, as shown in the example below. Describe the purpose of each transaction, the error(s), and correction(s) immediately following the table. Rows may be added or deleted from the table, as necessary.

Item	Fund/ Subfund	Location	Func	Prog	Subject	Object	Job Class (personnel costs only)	Date	Payee	Amt	Corrected per final UCOA file
A	10000000	05105	214	10	2500	51110	1712	03/15/12	Nurse Employees	\$5,000.00	Yes
B	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	\$XXXXX	Yes/No
C	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	\$XXXXX	Yes/No

**A** – The regular salaries for nurse employees were charged to Function 214, but should have been charged to Function 216.

**B** -

**C** -

**SCHOOL RESPONSE:** (if applicable)

**REQUIREMENT 2:**

UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if total activity (revenue and expenditures) for the fiscal year as reported (uploaded) to the UCOA database, as of the final upload date, reconciles to the total activity within each Fund/Subfund as reported in the final audited financial statements and if the amounts reported (uploaded) to the UCOA database are present in UCOA form, content and amounts within the accounting system of the reporting entity.

**PROCEDURES:**

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). The following template should be used for reporting the reconciliation between the UCOA upload file and the audited financial statements. Trust and Agency Funds are to be excluded from the reconciliation.

***Please note** – Transfers between funds on a GAAP basis (e.g., transfer of appropriations from the municipality’s general fund to the unrestricted school fund) are treated as revenues in the unrestricted school fund for UCOA reporting and should be reported as a proper reconciling item.*

Request from RIDE a copy of the reporting entity’s last error report just prior to the school’s final UCOA file upload with zero errors. Trace the errors listed on the report to the corrections made within the accounting system for the same reporting period. (Please Note - If the error report lists more than five coding errors, a maximum sample of five errors shall be tested.)

**RESULTS:**

Variances between the UCOA upload file and audited financial statements shall be identified in the following reconciliation template.

Describe the results from tracing the UCOA coding errors identified in the upload process to the corrections posted in the accounting system. Specifically identify in detail any coding errors that were not corrected in the accounting system.

**SCHOOL RESPONSE:** (if applicable)

<b>UCOA - Agreed-upon Procedures - reconciliation template</b>		
<b>UCOA annual upload file reconciled to audited financial statements</b>		
	<b>Revenues</b>	<b>Expenditures/Expenses</b>
<b>Amounts from the audited financial statements (funds that include activity included in the total UCOA upload file):</b>		
Unrestricted School Fund	X	X
School special revenue funds	X	X
School capital project funds	X	X
School Enterprise funds (School Lunch operations)	X	X
Other: <i>(identify fund)</i>	X	X
Other: <i>(identify fund)</i>	X	X
<b>Total</b>		
<b>Adjustments/reconciling items:</b>		
Less: State share of teacher pension contribution - on-behalf payments	X	X
Less: State share of transportation - on-behalf payments	X	X
Add: Local appropriation to schools reflected as a transfer on financial statements and revenue per UCOA	X	
Less: indirect cost recoveries included as revenue in unrestricted school fund	X	
Less: GAAP recording of capital lease - capital outlay expenditures		X
Add: Use of fund balance reported as revenue in UCOA	X	
Other reconciling items		
Other reconciling items		
<b>Adjusted totals</b>		
<b>UCOA - final upload file (including final audit adjustments) specify upload date _____</b>		
<b>Adjustments/reconciling items:</b>		
<b>Adjusted totals</b>		
<b>Unreconciled variance</b>	<b>0</b>	<b>0</b>
<i>Revised October 2016</i>		

**REQUIREMENT 3:**

Costs for debt service and lease and rental of buildings must be recorded consistent with specific UCOA requirements. Amounts charged to Function 421 should be reconciled to the sum of expenditures considered debt service for financial reporting purposes and annual or longer-term leases for rental of the main school facility (*or facilities if the school has more than one location*). Short-term leases should not be included in Function 421.

**PROCEDURES:**

Subtotal expenditures posted to Function 421 (Debt Service) in the final UCOA upload file and compare to the amounts reported in the audited financial statements for debt service payments and rental payments under long-term lease agreements for main school facilities. Determine the reasons for any variances.

**RESULTS:**

Describe results.

**SCHOOL RESPONSE:** (if applicable)

**REQUIREMENT 4:**

Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- a. Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- b. The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program, or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- c. Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.

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- d. Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.
- e. Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.

### **PROCEDURES:**

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1). Describe sample selection process. (Please note - If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.)

### **RESULTS:**

Describe payroll system and whether the system interfaces directly with the general ledger system and whether it is designed to post directly to the proper UCOA code or if there are a significant amount of manual adjustments and journal entries to allocate payroll costs. Conclude if the entity's procedures are reasonable and sufficient to meet the payroll and related benefit requirements of UCOA.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

**SCHOOL RESPONSE:** (if applicable)

### **REQUIREMENT 5:**

Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

- a. Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.
- b. Object 51302 represents additional payments made to a teacher for attending School-based professional development.



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- c. Object 51303 represents additional payments made to a teacher for attending District-based professional development.
- d. Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

**PROCEDURES:**

Review union contracts and adopted budget to identify professional development offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Describe procedures for selecting a sample of transactions posted to Object 53301 (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series.

Describe any additional procedures performed.

**RESULTS:**

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

**SCHOOL RESPONSE:** (if applicable)

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