# TOWN OF SCITUATE, RHODE ISLAND

# REQUEST FOR PROPOSALS

# FOR
# PROFESSIONAL AUDITING AND
# AGREED-UPON PROCEDURES SERVICES

## MARCH 2013

**195 Danielson Pike**
**North Scituate, RI 02857**

REQUEST FOR PROPOSALS
TABLE OF CONTENTS


I. INTRODUCTION Page 5

A. General Information
B. Term of Engagement

II. NATURE OF AUDIT SERVICES REQUIRED Page 6

A. General
B. Scope of Work to be Performed
C. Auditing Standards to be Followed
D. Reports to be Issued
E. Special Considerations
F. Working Paper Retention and Access to Working Papers

III. NATURE OF AGREED-UPON PROCEDURES SERVICES REQUIRED Page 10

IV. DESCRIPTION OF THE GOVERNMENT Page 10

A. General
B. Background Information
C. Fund Structure
D. Budgetary Basis of Accounting
E. Federal Awards
F. Pension Plans
G. Joint Ventures
H. Magnitude of Finance Operations
I. Computer Systems

V. TIME REQUIREMENTS Page 14

A. Proposal Calendar
B. Notification and Contract Dates
C. Schedule for the 2013 Fiscal Year Audit
    1. Interim Work
    2. Detail Audit Plan and Programs
    3. Fieldwork
    4. Draft Reports
E. Entrance Conferences, Progress Reporting and Exit Conferences
F. Date Final Report is Due

VI. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION Page 16

A. Statements and Schedules to be prepared by the Staff of the Town of Scituate
B. General

C. Report Preparation

VII. PROPOSAL REQUIREMENTS Page 17

A. General Requirements
1. Inquiries
2. Submission of Proposals
B. Technical Requirements
1. General Requirements
2. Independence
3. License to Practice in Rhode Island
4. Firm Qualifications and Experience
5. Partner, Supervisory and Staff Qualifications and Experience
6. Prior Engagements with the Town of Scituate, Rhode Island
7. Similar Engagements with Other Government Entities
8. Audit Approach
9. Identification of Anticipated Potential Audit Problems
10. Report Format
11. Additional Information to be provided

C. Dollar Cost Bid
1. Total All-Inclusive Maximum Price
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each
3. Out-of-pocket Expenses in the Total All-inclusive Maximum Price and Reimbursement Rates
4. Rates for Additional Professional Services
5. Manner of Payment

VIII. EVALUATION PROCEDURES Page 23

A. Selection Committee
B. Review of Proposals
C. Selection Criteria
D. Oral Presentations
E. Final Selection
F. Right to Reject Proposals

APPENDICES

A. Findings from Recent External and Internal Audits Page 26
B. Organizational Chart Page 27
C. List of Key Officials, Office Locations and Telephone Numbers Page 28
D. Proposer Guarantees Page 29
E. Proposer Warranties Page 30
F. Format for Schedule of Professional Fees and Expenses to Support the Total All-the Inclusive Maximum Price Page 31-33
G. Form of Contract Page 34-35

## I. INTRODUCTION

A. General Information

The Town of Scituate, Rhode Island is requesting proposals from qualified public accounting firms or accountants to audit its financial statements for the fiscal year ending March 31, 2013 with the option of an additional 2-year extension to fiscal years ending March 31, 2014 and March 31, 2015. **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 any additional work to be performed and the cost for said work, then the Town, at its option may rescind the option period (the additional two years).**

The Scituate School Department implemented a 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.

These audits are to be performed in accordance with generally accepted auditing standards as set forth in the Government Accountability Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The auditor(s) shall state that the primary purpose of the audit is to express an opinion on the basic financial statements taken as a whole and that the audit is subject to the inherent risk that errors or irregularities may occur and not be detected.

There is no expressed or implied obligation for the Town of Scituate, Rhode Island to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Any inquiries concerning the request for proposals should be addressed in writing to Sharon S. Johnson, Town Treasurer. To be considered, three (3) copies of a proposal must be received by Scituate Town Clerk's Office at 195 Danielson Pike, North Scituate, Rhode Island by 12:00 PM on March 25, 2013. The Town of Scituate reserves the right to reject any or all proposals submitted.

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

The Town reserves the right to reject any and all bidders if it deems the bidder does not possess the personnel, experience or other resources to complete the audit in accordance with the audit specifications.

The Town of Scituate 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 Scituate and the firm selected.

It is anticipated the Town Council will complete the selection of a firm no later than March 28, 2013. Following the notification of the selected firm it is expected a contract will be executed between both parties within 30 days of approval.

B. Terms of Engagement

Continuation beyond the initial fiscal year of the three-year contract will be at the discretion of the municipality. The three (3) year contract will be contingent upon the satisfactory negotiation of terms (including a price acceptable to both the Town of Scituate and the selected firm).

Following completion of the fiscal year 2013 audit, should the Town find that the firm has failed in any material respect to perform its agreed upon obligations under the agreement, the agreement shall be canceled by the Town as being in the best interest of the Town. In the event of termination of this agreement as a result of a breach by the firm there under, the Town shall not be liable for any fees and may, at its sole option, award an agreement for the same services to another qualified firm with the best proposal, or call for new proposals and award the agreement there under. The firm shall be responsible for direct and consequential damages as a result of its breach, including, but not limited to, extra costs required under the new agreement for similar services.

## II. NATURE OF AUDIT SERVICES REQUIRED

A. General

The Town of Scituate is soliciting the services of qualified public accounting firms or accountants to audit its financial statements for the fiscal year ending March 31, 2013 with the option of an additional 2-year extension to fiscal year March 31, 2015. 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 Scituate desires the auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles.

The financial statements to be presented, audited and reported upon are the basic financial statements - government-wide financial statements, fund financial statements for governmental, proprietary and fiduciary funds, notes to the financial statements and supporting schedule as of March 31, 2013, then March 31, 2014 and March 31, 2015 of the audit year. The auditor is not required to audit the statistical section of the report.

Supplementary financial statements, schedules and information are to be presented and reported upon including budgetary comparisons and notes for major and combining statements of Net Position, Changes in Net Position and Cash Flows for non-major funds, Private Purpose Trusts and Agency Funds.

If the general operations of the school department do not qualify as a special revenue fund, in accordance with generally accepted accounting principles, and is merged with the general fund for

financial reporting purposes, the specific "school unrestricted fund" information will be presented within the Supplementary Information section of the Town's comprehensive annual financial report. The Supplementary Information will consist of: *a Balance Sheet, a Statement of Revenues, Expenditures and Changes in Fund Balance, and a Budget and Actual Statement.*

Provide audited data for reporting in tables of Net Position, Changes in Net Position and Statement of Governmental Activities for inclusion in the Town's Management's Discussion and Analysis.

Other schedules that 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 Statistical Section of the Comprehensive Annual Financial Report, prepared in accordance with generally accepted accounting principles, shall meet the requirements of RIGL 45-10-6 for additional information to the basic financial statements.

An audit of major programs in accordance with criteria outlined in OMB Circular A-133 shall be performed to include a Schedule of Expenditures and notes of Federal Awards with auditor's opinion thereon.

Attendance at a minimum of one Town Council meeting each year, for the purpose of discussing the audit and the management letter and its conclusions.

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 established by the American Institute of Certified Public Accountants, and the standards for financial audits set forth in the U.S. Government Accountability Office's *Government Auditing Standards*, the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue draft copies of all audit reports and the management letter shall be submitted to the Town and School Department Officers of the Town of Scituate prior to the exit conference so that there will be adequate time for review. The final report and 30-signed copies are to be provided along with a copy of the report in electronic format (an Adobe PDF file) for posting on the Town's web site. 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 (as required by Section 45-10-5 of the General Laws). A copy of the final written correspondence, *The Auditor's Communication with Those Charged with Governance*, shall also be delivered to the State Auditor General.

The following reports that are required, but are not limited to, be included:

1) The basic financial statements including management's discussion and analysis, Supplementary financial statements, schedules and information, based on an audit performed in accordance with generally accepted auditing standard and Government Auditing Standards;

2) Compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards;

3) Reports required under separate agreements such as grants or trusts;

4) Reports and summaries related to federal financial assistance as required by OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations;

5) Other reports that may be required by the Town and/or the State of Rhode Island Director of Revenue, Department of Education or as required by the applicable section of the general laws such as education related reports required by the R.I. Department of Education.

6) A report on compliance and internal control over compliance applicable to major federal program;

7) Reports on compliance and internal controls, the auditor shall communicate any significant deficiencies found during the audit. A significant deficiency is a deficiency, or a 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.

8) Significant Deficiencies that are also material weaknesses shall be identified as such in the report. Other conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls.

9) The report on compliance and internal controls shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.

Submission of a management letter upon completion of the audit to the Town Council of the Town of Scituate with copies to the Director of Revenue and the Auditor General is required. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:

> Policies, procedures and practices employed by the Town of Scituate; immaterial weaknesses in the internal controls that are not "significant deficiencies;" use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner; and compliance with state laws pertaining to the Town of Scituate and with rules and regulations established by the Town.

Fraud and illegal acts. Auditors shall be required to make an immediate, written report of all fraud and illegal acts or indications of illegal acts of which they become aware to the Scituate Town Council.

Auditors shall assure themselves that the Town of Scituate's Town Council is informed of each of the following:

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

E. Special Considerations

1. The Town of Scituate will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide special assistance to the Town of Scituate to meet the requirements of that program, including but not limited to, response to CAFR review comment.

2. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are to be issued as part of the comprehensive annual financial report.

3. Assistance in implementation of Governmental Accounting Standards Board statements as applicable.

F. Working Paper Retention and Access to Working Papers

All working papers 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 Scituate of the need to extend the retention period. The auditor will be required to make working papers available upon request by the Town.

The contract between the Town of Scituate and the audit firm or auditor selected will 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.

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

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

The Scituate School Department implemented a new 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 H for the agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

7 copies of the final agreed-upon procedures report on the School Department's compliance with the Uniform Chart of Accounts shall be delivered to Scituate Town Treasurer.

The Department shall provide the agreed-upon procedures report along with the audited financial statements 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.

## IV. DESCRIPTION OF THE GOVERNMENT

A. General

The auditor's principal contact with the Town of Scituate will be Town Treasurer, or a designated representative, who will coordinate the assistance to be provided by the Town of Scituate to the auditor.

An organizational chart (Appendix B) and a list of key personnel with the location of their principal offices (Appendix C) are attached.

B. Background Information

The Town of Scituate was established in 1636 and incorporated separately on February 20, 1730. It serves an area of fifty-five square miles with a population of 10,329 (2010 Census). It is primarily a residential suburb located approximately eight miles west of Providence, with only minor areas of highway commercial, neighborhood commercial, and manufacturing and industrial zones within the Town.

The Town of Scituate is a municipal corporation operating under the General Laws of Rhode Island and as such utilizes the Town Council form of government. The Town Council consists of seven elected members headed by a Town Council President. The Town Council has the responsibility of managing the affairs of the Town and submits a detailed budget of its estimated expenditures and revenues for each fiscal year to the voters at an annual Financial Town Meeting.

The Town of Scituate provides the following services to its citizens:

**Public Safety** (Law Enforcement, Code Enforcement, Emergency Medical and Volunteer Fire Services)
**Education** (Kindergarten through Grade 12)
**Public Works** (Road Maintenance, Recycling Pickup and Solid Waste Disposal Services, Parks and Facilities Maintenance, Street Lighting, Development Oversight)
**Recreation** (Youth and Adult Activities)
**Senior Services**
**Welfare Services**
**Library Services**

The Town has a total payroll of $17,158,333 covering approximately 700 employees.

The Town's approved General Fund operating budget for FY 2013 (April 1, 2012 through March 31, 2013) is $32,857,221.

The Town of Scituate, Rhode Island is organized into twelve departments. The accounting and financial reporting functions of the Town of Scituate are centralized.

More detailed information on the government and its finances can be found on the Town's Web Site www.scituateri.org including but not limited to:

FY 12 Audit Report
FY 12/13 Town Budget

C. Fund Structure

The Town of Scituate uses the following fund types and account groups in its financial reporting:

| Fund Type | Number of Individual Funds | Number with Legally Adopted Annual Budgets |
|---|---|---|
| General Fund | 1 | 1 |
| Special Revenue Funds | 27 | |
| Capital Projects Funds | 21 | |
| Permanent Funds | 4 | |
| Pension (and other employee benefits) Trust Funds | 1 | |
| Agency Funds | 3 | |

D. Budgetary Basis of Accounting

The budgets of the general government type funds (for example, the general fund, library fund, school fund, and debt service fund) are accounted for using the modified accrual basis of accounting.

This means that obligations such as outstanding purchase orders at year-end are recognized when the purchase is made. Their revenues are recognized when they are received.

The Town's Comprehensive Annual Financial Report (CAFR) shows the status of the Town's finances on the basis of Generally Accepted Accounting Principles (GAAP). Revenues and expenditures are shown on both a GAAP basis and budget basis for comparison purposes.

E. Federal Awards

During the previous fiscal year, the Town of Scituate received federal awards and required an audit in accordance with OMB circular A-133. Please refer to Town's 2012 Schedule of Expenditures of Federal Awards for a complete listing of the federal awards.

F. Pension Plans

The Town of Scituate participates in the Employees' Retirement System of Rhode Island pension plans for all eligible employees. There is also a Police Pension Plan managed by UBS Fiduciary/Wilmington Trust for 17 retirees and/or beneficiaries

G. Joint Ventures

The Town of Scituate does not participate in joint ventures with other governments.

H. Magnitude of Finance Operations

By State Law, the financial accounting functions are under the direction of the Town Treasurer. The Treasurer's Office maintains the formal official Town accounting records. However, the administering departments keep additional supporting documentation of the operations of the programs. The Town Treasurer's Department consists of three (3) divisions under the management of the Town Treasurer: Treasurer's Department, Tax Assessor's Department, and Tax Collector's Department. In FY 2013 the department had approximately 7 employees with an annual budget of $381,233.

I. Computer Systems

| | | Hardware | |
|---|---|---|---|
| Type of Equipment | Number | Make of Equipment | Networked? |
| Network Servers | 2 | Dell | Yes |
| PC Workstations | Est. 24 | Dell | Yes |

| | | Software |
|---|---|---|
| Make | Vendor | Major Applications |
| Phoenix Financials | Sungard | Financial Including General Ledger, Fixed Assets, Purchasing, Payables |
| CAMA 3X | Certified Revaluation Company, Inc. | Real Estate Tax Appraisal system |
| RITAX 99 | Opal Data Technologies, Inc. | Tax Billing Software |
| Collection System | Opal Data Technologies, Inc. | Tax Collection Software |

## V. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

- Request for proposal issued March
- Written questions submitted by proposers No Later than March 18, 2013
- Written responses to proposer's questions mailed March 22, 2013
- Due date for proposals March 25, 2013 by 12:00p.m.

B. Notification and Contract Dates

- Selection & Notification March 28, 2013.
- Award by Town Council March 28, 2013.
- Contract Executed Within 30 days of appointment

As evidenced by the above schedule, the Town will accept questions or requests for clarification on this RFP **only in writing.** Proposers must mail, fax or e-mail their questions in the manner as described in Section VII. 2. Inquiries below. Questions/requests for clarifications must be received by the Town Treasurer no later than March 18, 2013. Written responses to the questions/requests for clarifications will be sent to all potential proposers via first class mail, fax or e-mail on March 22, 2013. **NO PHONE CALLS PLEASE.**

C. Schedule for the 2013 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if the Town exercises its option for additional audits).

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

1. Interim Work (Such as State School Requirements)

The successful proposer shall complete interim work as required by State of RI, Department of Education.

2. Detailed Audit Plan

The auditor shall provide the Town of Scituate by April 1st both a detailed audit plan and a list of all schedules to be prepared by the Town of Scituate.

3. Fieldwork

The auditor shall complete all fieldwork by July 15th.

4. Draft Reports

The auditor shall have drafts of the audit report[s] and recommendations to management available for review by August 1st.

E. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed for audits of future fiscal years if the Town of Scituate exercises its option for additional audits).

At a minimum, the following conferences should be held by the dates indicated on the schedule:

| | Month of |
|---|---|
| Entrance conference with all Key finance department personnel | April |

The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for workspace and other needs of the auditor.

| | |
|---|---|
| Conference with Town Treasurer | April/May |

The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested.

| | |
|---|---|
| Progress conference | June/July |

The purpose of this meeting will be to discuss the year-end work to be performed.

| | |
|---|---|
| Exit conference | August |

The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings.

In addition, the auditor shall provide written reports on the progress of the audit on the following dates:
**June 15th and July 15th**

F. Date Final Report is Due 9/15
A draft auditor's report shall be delivered to the Town by September 1st.

The Town will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed two weeks. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issued for discussion are resolved, the final signed report shall be delivered to the Town within fourteen working days. It is anticipated that this process will be completed and the final report delivered by September 30th.

The final report in .pdf format and 30-signed copies should be delivered to the Town Treasurer's Office at 195 Danielson Pike, North Scituate, Rhode Island 02857.

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

A. Statements and Schedules and other pertinent information to be Prepared by the Staff of the Town of Scituate

The staff of Town of Scituate will prepare or provide the following statements and schedules for the auditors as follows:

- Copy of each budget and amendment adopted for the period under audit.
- A copy of, or access to, the minutes of each Town Council meeting held during the period under audit.
- An Organization chart.
- Detail of balance sheet and subsidiary account activity.
- Bank reconciliation for all accounts.
- Check registers for all funds.
- Analysis of accounts as requested.
- Investment activity schedules.
- Debt Schedules
- A list of outstanding encumbrances that were closed out and included in the succeeding budget.
- Payroll records
- Schedule of Compensated Absences
- All contracts and agreements entered into by the Town and School Department, including bond agreements, union contracts, leave agreements, lease agreements, etc.
- A trial balance for each fund reconciled to general ledger balances with appropriate supporting documents for each balance sheet account.
- CAFR statistical tables.

B General

The Town will provide minimal staff assistance to the successful proposer. Office space will be provided in close proximity to the financial records. Telephones will be made available as well as the use of a copy machine during the engagement. Town staff will make files and documents available to the auditors. Pulling and refilling of documents and invoices is the responsibility of the auditor. The auditor will be required to provide its own equipment and other office materials.

C. Report Preparation

Report preparation, editing and printing shall be the responsibility of the auditor.

## 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 in writing to:

Margaret McGraw Long, Town Clerk
Town of Scituate
195 Danielson Pike
PO Box 328
North Scituate, RI 02857
Phone (401) 647-2547
FAX (401) 647-5960
E-Mail scitclerk@aol.com

2. Submission of Proposals

The following material is required to be received by 12:00 PM on March 25, 2013 for a proposing firm to be considered:

a. A master copy (so marked) Proposal and three (3) 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 the contact person; and the 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 the three audit periods.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VII B of this request for proposals.

v. Guarantees and Warranties

Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposal (Appendix D and Appendix E)

b. The proposer shall include an original and six copies of a dollar cost bid clearly marked as follows:

**PROPOSAL**
**FOR**
**Town of Scituate, Rhode Island**
**FOR**
**PROFESSIONAL AUDITING SERVICES AND**
**AGREED-UPON PROCEDURES**

c. Proposers should send the completed proposal to the following address:

Margaret McGraw Long, Town Clerk
Town of Scituate
195 Danielson Pike
PO Box 328
North Scituate, RI 02857

B. Technical Requirements

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 Scituate 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 requirements.

The Technical Proposal should address all the points outlined in the request for proposals. 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 10, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that is independent of the Town of Scituate as defined by generally accepted auditing standards/the U.S. Government Accountability Office's *Government Auditing Standards.*

The firm must meet the independence requirements of the American Institute of Certified Public Accountants including the provisions of Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and the independence requirements of Government Auditing Standards.

3. License to Practice in Rhode Island

The firm selected for the audit 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. Proposer must include the current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of fieldwork.

4. Firm Qualifications and Experience

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

The audit organization and individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirement of Government Auditing Standards issued by the Comptroller General of the United States.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve, as the principal auditor should be noted, if applicable.

The proposer must have an appropriate internal quality control system in place and participate 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 and letter of comment, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits.

The firm shall provide 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. In addition, the firm shall provide information regarding any lawsuits or claims against the firm, pending or resolved.

5. Partner, Supervisory and Staff Qualifications and Experience

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 registered or licensed to practice as a certified public accountant in Rhode Island. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit. The senior accountant in charge of fieldwork must be a certified public accountant.

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. 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 Scituate. However, in either case, the Town of Scituate retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the Town of Scituate 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.

6. Prior Engagements with the Town of Scituate, Rhode Island

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the Town of Scituate by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. 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 - 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.

The firm shall also provide how many governmental entities were required to request an extension to file their annual financial statements during which time your firm was the auditors. An explanation of each extension request must also be included.

8. 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 proposal. In developing the work plan, reference should be made to such sources of information as Town of Scituate's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems. 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

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

c. Sample size 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 Scituate'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 tests of compliance

9. 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 Scituate.

10. Report Format

The proposal should include sample formats for required reports.

11. Additional Information to be provided to the Town

a. A statement of relevant experience including a list of municipal or other governmental audits performed in the last five years;

b. Expected time budget and completion date for the audit;

c. A statement that there exist no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards;

d. Representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants including those in Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and Government Auditing Standards;

e. Representation that the private auditor of a municipality meets the continuing educational requirements of Government Auditing Standards;

f. 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 including letter of comment; and

g. 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

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.

C. Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses. The dollar cost bid should specifically identify the fee for the audit services and the fee for the agreed-upon procedures.

The Town of Scituate 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 dollar cost bid should include the following information:

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 Scituate.
c. A Total All-Inclusive Maximum Price for each year of the engagement.

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

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

3. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates. Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the Town of Scituate for its employees. All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

4. Rates for Additional Professional Services

If it should become necessary for Town of Scituate to request the auditor to render any additional services to either supplement the services requested in this RFP 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 Town of Scituate and the firm. Any such additional work agreed to between Town of Scituate 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. 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.

5. 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 billing shall cover a period of not less than a calendar month. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

## VIII. EVALUATION PROCEDURES

A. Selection Committee

Proposals submitted will be evaluated by a Selection Committee which may include the Town Treasurer, and recommended for selection to the State of R.I. Auditor General for his approval prior to final selection by the Scituate Town Council.

B. Review of Proposals

Evaluation of the proposal will be made by each of the criteria described in Section VIII C below.

The Town of Scituate reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated as to R.I. General Laws 45-55-5.(2) "Competitive Sealed Bidding," and the award shall be made on the basis of the lowest evaluated or responsive bid price. In addition to price, the following factors will be considered in determining the lowest evaluated or responsive bidder:

1. Mandatory Elements
    a. The audit firm is independent and licensed to practice in Rhode Island
    b. The audit firm provides proof insurance coverage as follows:
        Professional Liability Coverage
        Workers Compensation with a waiver of subrogation
    c. The firm has no conflict of interest with regard to any other work performed by the firm for the Town of Scituate;
    d. Ability to perform the services as reflected by workload and the availability of adequate personnel to perform the services expeditiously;
    e. Competence to perform the services as reflected by technical training and education; general experience in providing the required services; and the qualifications and competence of persons who would be assigned to perform the services;
    f. Past performance as reflected by the evaluation of private persons and officials of other governmental entities that have retained the services of the firm with respect to such factors as quality of work and ability to meet deadlines;
    g. Quality of work previously performed by the firm for the Town of Scituate, if any;
    h. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal;
    i. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

2. Technical Qualifications

a. Expertise and Experience

1. The firm's past experience and performance on comparable municipal engagements

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

3. Experience in providing assistance to meet the requirements of the Certificate of Achievement For Excellence in Financial Reporting program.

4. Adequacy of proposed staffing plan for various segments of the engagement, adequacy of sampling techniques and adequacy of analytical procedures.

5. 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. This will not limit the municipality from seeking any other legal or equitable remedies.

D. Oral Presentations

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

E. Final Selection

The Selection Committee will recommend a firm for approval by the Town Council.

It is anticipated that a firm will be selected by March 28, 2013. Following notification of the firm selected, it is expected a contract will be executed between both parties.(See Appendix G for form of contract)

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Scituate and the firm selected. The Town of Scituate reserves the right without prejudice to reject any or all proposals.

## APPENDICES

A. Findings from Recent External and Internal Audits

B. Organizational Chart

C. List of Key Officials, Office Locations and Telephone Numbers

D. Proposer Guarantees

E. Proposer Warranties

F. Format for Schedule of Professional Fees and Expenses to Support the Total All-inclusive Maximum Price

G. Form of Contract

H. Uniform Chart of Accounts Agreed-Upon Procedures

## APPENDIX A

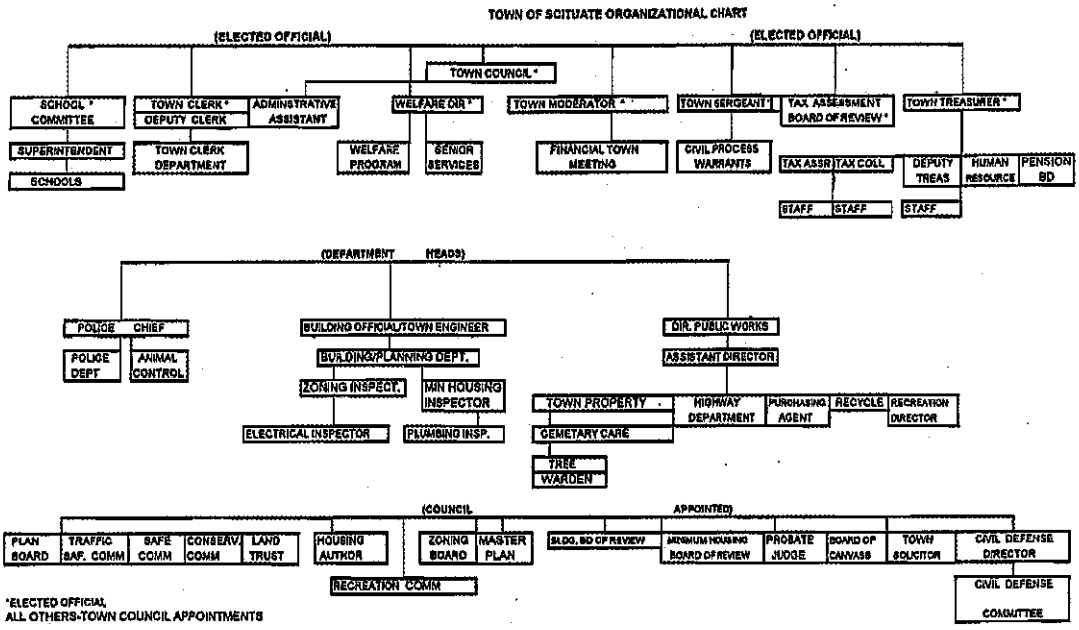
## FINDINGS FROM MOST RECENT EXTERNAL AUDIT

External Audits:

| Report | Findings | Resolved? |
|---|---|---|
| 12-01 | Time lapse between transfer of funds from the State and disbursement. | Pending |

# APPENDIX B

## ORGANIZATIONAL CHART



APPENDIX C

LIST OF KEY OFFICIALS

TOWN OF SCITUATE OFFICIALS

| Official | Name | Phone | Location |
|---|---|---|---|
| Town Treasurer | Sharon Johnson | 647-2547 x4 | Town Hall, 195 Danielson Pike, PO Box 127, North Scituate, RI 02857 |
| Deputy Treasurer | Karen S. Beattie | 647-2547 x4 | Town Hall |
| Town Council President | Charles A. Collins, Jr. | 647-2822 | Town Hall |
| School Superintendent | Paul Lescault, PhD. | 647-4100 | School Department, 197 Danielson Pike,PO Box 188, North Scituate, RI 02857 |
| School Bookkeeper | Carol Geary | 647-4100 | School Department |
| Purchasing Agent | Robert Dexter | 647-3366 | 1 Lincoln Cirlcle North Scituate, RI 02857 |
| Town Solicitor | Gorham & Gorham | 647-1400 | 25 Danielson Pike, North Scituate, RI 02857 |

## APPENDIX D

## PROPOSER GUARANTEES

I. The proposer certifies it can and will provide and make available, as 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 agrees to be bound by the contractual requirements delineated in this document.

---

Signature of Official:

Name (typed):

Title:

Firm:

Date:

## APPENDIX E

## 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 is willing and able to obtain an errors and omissions insurance policy providing $1 million dollars of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.

C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Town of Scituate.

D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official:_____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX F

YEAR 1

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE [SPECIFY YEAR] FINANCIAL STATEMENTS AND AGREED-UPON PROCEDURES (AUP)

| | Audit Hours | AUP Hours | Standard Hourly Rates | Quoted Hourly Rates | Total |
|---|---|---|---|---|---|
| Partners | | | | | |
| Managers | | | | | |
| Supervisory staff | | | | | |
| Staff | | | | | |
| Other (specify): | | | | | |
| Subtotal | | | | | |
| Out-of-pocket expenses: | | | | | |
| Meals and lodging | | | | | |
| Transportation | | | | | |
| Other (specify): | | | | | |
| **Total all-inclusive maximum price for [specify year] audit and 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 F

YEAR 2

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE [SPECIFY YEAR] FINANCIAL STATEMENTS AND AGREED-UPON PROCEDURES (AUP)

| | Audit Hours | AUP Hours | Standard Hourly Rates | Quoted Hourly Rates | Total |
|---|---|---|---|---|---|
| Partners | | | | | |
| Managers | | | | | |
| Supervisory staff | | | | | |
| Staff | | | | | |
| Other (specify): | | | | | |
| Subtotal | | | | | |
| Out-of-pocket expenses: | | | | | |
| Meals and lodging | | | | | |
| Transportation | | | | | |
| Other (specify): | | | | | |

**Total all-inclusive maximum price for [specify year] audit and 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 F

YEAR 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE [SPECIFY YEAR] FINANCIAL STATEMENTS AND AGREED-UPON PROCEDURES (AUP)

| | Audit Hours | AUP Hours | Standard Hourly Rates | Quoted Hourly Rates | Total |
|---|---|---|---|---|---|
| Partners | | | | | |
| Managers | | | | | |
| Supervisory staff | | | | | |
| Staff | | | | | |
| Other (specify): | | | | | |
| Subtotal | | | | | |
| Out-of-pocket expenses: | | | | | |
| Meals and lodging | | | | | |
| Transportation | | | | | |
| Other (specify): | | | | | |

**Total all-inclusive maximum price for [specify year] audit and 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 G

FORM OF CONTRACT FOR SERVICES

# CONTRACT FOR PROFESSIONAL AUDITING SERVICES

AGREEMENT (To be signed at award of contract only)

Made as of the _____day of _____in the year of

BETWEEN the Owner: THE TOWN OF SCITUATE
195 Danielson Pike
North Scituate, RI 02857

And the Audit Firm:
(Name and Address)

For the following Project: Professional Auditing Services

A. The Owner and Audit Firm agree to perform services as set forth in the "Request for Proposals" for the above noted project, at an agreed upon amount of $ _____.

| OWNER | AUDIT FIRM |
|---|---|
| _____ | _____ |
| (Signature) | (Signature) |
| _____ | _____ |
| (Printed Name and Title) | (Printed Name and Title) |

NOTE: The Town's Request for Proposals and vendor's response shall be affixed to and considered part of, this Contract. Any disclaimers to our minimum insurance requirements will not be considered, and the Town shall consider the vendor's proposal "non-responsive." It is understood that this contract 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

B. The undersigned herewith acknowledges the receipt of the following Addenda:

| Addendum No. | Description |
|---|---|
| _____ | _____ |

C. The undersigned hereby certifies that he/she will perform services under the conditions and as required in the Request for Proposals.

_____ _____
(Date) (Print Name of Audit Firm)

By: _____
(Signature of Principal)

_____
(Print Name and Title of Principal)

_____
(Business Address)

_____
(City, State, Zip Code)

_____
(Telephone Number)

(Corporation incorporated under the laws) Composed of
( ) Officers,
(of the State of _____) Partners, of
(Partnership ) Owner
(Individual ) As Follows:

_____ _____
(President) (Secretary)

_____ _____
(Vice President) (Treasurer)

# APPENDIX H
## 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 and the Office of the Auditor General at the conclusion of the annual audit or not later than six months after fiscal year-end. For those 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 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

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 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.

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. 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.**

Any variance in revenue or expenditures between the total amounts reported (uploaded) to the UCOA database and audited amounts reported within the Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school shall be reported. For UCOA reporting purposes, 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.

**Note:** When variances are reported between the UCOA upload file and the audited financial statements, the entity may be required to amend its UCOA upload file to include final amounts which reflect audit adjustments.

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 charged in the same manner as direct wages – e.g., 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. Healthcare benefit costs are 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 for Short-term substitute teachers are charged to Subject 0000. Wages for short-term substitute teacher support personnel and long-term substitute teachers should follow the Location, Program, and Subject accounts as used with the employees whom they are replacing.**

   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).

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.*
- *Allocation 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 the multiple activities being performed and performance of those duties requires a minimum of 20% of their time, 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, then no charges must be made for these activities, even if the amount of time expended exceeds 20% of the employee's time.*
- *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).*
- *Wages for Short-term substitute teachers (Job Classifications 1295-1299) in Object 51115 (Salaries – Substitutes) when used with Function 112 (Substitute Teachers) is charged to Subject 0000. With Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace. Wages for Long-term substitute teachers (Job Classification 1294) should follow the Location, Program, and Subject accounts as used with the teacher whom they are replacing.*

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 three 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 after-hours school-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 and 51302. (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.

- ***Object 51302*** *(Professional Development – School) - only that Professional Development that is paid on an hourly basis.*
- *For **Object 51302**, 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 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.

- *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. 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.*

## 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

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

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.

A sample report follows:

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

We have performed the procedures enumerated in Exhibit 1, which were agreed to by the Rhode Island Department of Education (RIDE), solely to assist RIDE in evaluating the (entity's) compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx and the effectiveness of the (entity's) internal control over compliance with the aforementioned compliance requirements as of June 30, 20xx. Management is responsible for the (entity's) compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Rhode Island Department of Education, the *Entity*, and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

## EXHIBIT 1

**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. Please note - If an interim file is used for selecting the sample, reconcile changes from the interim file to the final upload and determine the significance of any changes and whether additional testing is warranted.

**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 | Function | Program | Subject | Object | Job Class (personnel costs only) | Date | Payee | Amount | 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 | XX/XX/XX | XXXXXXXXXXXXXXXXXXXXXXXXX | $X,XXX,XXX.XX | Yes/No |
| C | XXXXXXXX | XXXXX | XXX | XX | XXXX | XXXX | XXXX | XX/XX/XX | XXXXXXXXXXXXXXXXXXXXXXXXX | $X,XXX,XXX.XX | 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:**

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.

**PROCEDURES:**

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). Please note - reconciliations are not required for Trust Funds and Agency Funds.

**RESULTS:**

Identify each variance between the UCOA upload file and audited financial statements in the table below. Each variance should be listed separately for total revenues and total expenditures under each UCOA Fund/Subfund. Include variances which are proper reconciling items. Provide a description of each variance. When there are multiple causes for a variance, identify the specific dollar amount that corresponds to each cause. The description of the variance may be included within the table, but if more space is required, the description may be provided immediately following the table. Rows may be added or deleted from the table, as necessary.

| UCOA Fund/Subfund Number | Name of Fund/ Subfund | Amount Per UCOA Upload | Amount Per Audited Financial Statements | Variance Amount | | Description of Variance |
|---|---|---|---|---|---|---|
| | | | | Proper Reconciling Items | Errors & Unexplained Variance | |
| **Revenue variances:** | | | | | | |
| XXXXXXXX | XXXXXXXXXXX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX |
| XXXXXXXX | XXXXXXXXXXX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX |
| **Expenditure variances:** | | | | | | |
| XXXXXXXX | XXXXXXXXXXX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX |
| XXXXXXXX | XXXXXXXXXXX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | $XX,XXX,XXX.XX | XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX |

**SCHOOL RESPONSE:** (if applicable)

**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 charged in the same manner as direct wages – e.g., 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. Healthcare benefit costs are 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 for Short-term substitute teachers are charged to Subject 0000. Wages for short-term teacher support personnel and long-term substitute teachers should follow the Location, Program, and Subject as used with the employees whom they are replacing.

**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 three 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 after-hours school-based professional development.

c. 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 and 51302. (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).

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)