

A RESOLUTION DIRECTING STAFF ON AUDITING SERVICES

Resolution No. 82/2004-05

WHEREAS, the Carrboro Board of Aldermen have received an agenda item for conducting a request-for-proposal (RFP) for auditing services; and

WHEREAS, the Aldermen were informed that the Local Government Commission recommends (does not mandate) that local governments prepare auditing services RFPs every three to five years and that an auditor change is not required should a RFP occur;

WHEREAS, the Aldermen were informed by town staff of two options that may be considered regarding audit services;

NOW THEREFORE, THE BOARD OF ALDERMEN OF THE TOWN OF CARRBORO:

Section 1: Direct staff to:

**TOWN OF CARRBORO
REQUEST FOR PROPOSALS
Audit Services**

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

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

Type of Audit

The audit will encompass a financial and compliance examination of the Town's Comprehensive Annual Financial Report (CAFR) in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, State, and local funding sources in accordance with generally accepted auditing standards; Government Auditing Standards; the Single Audit Act of 1984; the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", including revisions published in Federal Register 06/27/03; the State Single Audit Implementation Act; and all other applicable laws and regulations.

Period

The Town intends to continue the relationship with the auditor for no less than three years on the basis of annual negotiation after the completion of the first year contract. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval.

July 1, 2005 to June 30, 2006

July 1, 2006 to June 30, 2007

July 1, 2007 to June 30, 2008

Requirements

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

1. The audit must be conducted in a timely manner such that all necessary financial and compliance information (trial balance and adjusting entries in final form) for all funds are completed by September 23 each year to enable the Town to prepare its CAFR. If the Town is unable to provide schedules/documents by the agreed upon time, above time frame will be appropriately extended.

2. The Town will prepare most year-end adjusting journal entries. All CAFR statements, schedules and notes to the financial statements (except those listed below) will be completed by the Town. The auditor will be ultimately responsible for the proofing, printing and copying of the CAFR. The auditor will submit a final draft of the CAFR to be reviewed in detail by the Town. It should also be submitted to allow ample time for review, corrections and to ensure **final completion of the CAFR by the annual October 31 deadline.**

Schedule of Findings and Questioned Costs (Compliance)

Summary Schedule of Prior Year Audit Findings (Compliance)

3. A minimum number of 25 copies of the CAFR, management letter and other applicable reports must be supplied to the Town within the time frame cited above. In addition, the auditor is responsible for submitting the required three copies to the staff of the Local Government Commission (LGC).
4. The financial audit opinion will cover the financial statements for the governmental activities, each major fund, and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the financial statements taken as a whole. The auditor shall also express an opinion on the budgetary comparison information for the general fund, the major funds, and any annually budgeted special revenue funds. An opinion will not be given on the Management Discussion and Analysis. The audit will also include the following:
 - Pre-planning conference (see details required of this conference on the following page (p. 3)).
 - Preparation of a letter disclosing and discussing informal/non material comments (not included in the management letter).
 - Management letter presentation to the Finance Director and Town Manager.
 - Presentation of the financial statements to the Board of Aldermen.
5. The working papers shall be retained and made available upon request for no less than three years from the date of the audit report.
6. Staff continuity is of extreme importance to the Town. The Town must be notified of any changes in key audit personnel prior to the annual renewal of the contract.
7. In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, such cost will negotiated prior to commencement of the

work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.

Other Services

The auditor will assist the Town in obtaining its Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting through technical assistance and timely compliance with new reporting requirements. The Town may require the auditor's guidance on the completion of certain schedules/documents as to proper format and content, so that they can be used in the audit process as well as for inclusion in the Town's CAFR. Guidance will be required on new note disclosures, all outstanding and effective GASB implementations, and other reporting requirements at June 30 year-end. Please specify fees associated with help in this area.

ASSISTANCE AVAILABLE TO THE AUDITOR

1. The Town will make available to the auditor sufficient help to pull and file records, and prepare all necessary confirmations.
2. A planning meeting will be held each year to determine schedules that the Town will be responsible for preparing. The auditor will prepare the schedule of client participation. The necessary accounting adjustments and or procedures will be completed and audit schedules will be prepared by Town personnel no later than a date set each year during the initial planning meeting. Adequate notification will be given prior to any changes in estimated times.
3. Town staff will be responsible for preparing a draft of the CAFR to the auditor by October 7th. Certain CAFR schedules and statements or sections may be available prior to this date.

Description of Selection Process

Proposals must be submitted on the forms included in this document, and must be properly signed in the spaces indicated. An electronic copy of this RFP is available upon request to broenigk@townofcarrboro.org.

Three copies of each section of the proposal should be submitted at the time and place indicated under the section entitled "Time Schedule for Awarding Contract."

Proposals should be submitted in two sections. The first section should be comprised of the audit firm's prior experience and the qualifications of its personnel in performing governmental audits. The Town will evaluate the auditor on educational and technical qualifications. The second section will be comprised of the separately sealed audit cost estimates. The top firms resulting from the evaluation of the first section will have their second section opened and evaluated. The firm best meeting the Town's expectations for experience, audit approach, and cost requirements will be selected.

PLEASE KEEP IN MIND THAT COST, WHILE AN IMPORTANT FACTOR WILL NOT BE A SOLE DETERMINING FACTOR. THE LOWEST BID WILL NOT AUTOMATICALLY BE AWARDED PREFERENTIAL CONSIDERATION.

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

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

First Section

The first section should address the requested information below. The corresponding responses should begin with the number below for the requested information.

1. State whether your firm is regional, national or international.
2. Please indicate the number of people (by level) located within the local office that will be involved with the audit and designate the individual who will be primary contact for the firm.
3. Provide a list of the local office's current and prior government audit clients, indicating the type(s) of services performed, and the number of years served for each. Responsive firms should include any relevant information regarding audits performed on financial statements prepared under the new reporting model.
4. Describe the professional experience in governmental audits of each senior and higher level person assigned to the audit, the years on each job, and his/her position while on each audit. Again, relevant experience with the new reporting model should be clearly communicated.
5. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.
6. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books. Newsletters may be included, but should not be voluminous.
7. The Town has pursued the GFOA Certificate of Achievement for Excellence in Financial Reporting for fiscal year ending June 30, 2004 and plans to pursue this certification each year subsequently. Indicate whether your office has previous experience auditing financial statements, which have earned this recognition.
8. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contracted for reference.
9. Describe in detail additional professional services your firm could offer the Town.

Second Section

This section should address the requested information below and the corresponding responses should begin with the number of the requested information. Proposals should include completed cost estimate sheets and any other necessary cost information in a separate, sealed envelope marked – “Cost Estimate.” The Town plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.

1. Describe the information that will be contained in the management letter.
2. Describe the assistance expected from the government’s staff, if other than outlined in the RFP.
3. Provide a tentative schedule for completing the audit within the specified deadlines of the RFP.
4. Note your method of determining increase in audit costs on a year to year basis within the initial three year audit contract period.
5. Note your method of determining audit costs, which would be used in price negotiations after the initial three-year period. List factors that you will use in determining any increases or decreases.
6. Specify costs using the format below for the audit year July 1, 2005 to June 30, 2006. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2006 is binding, while the two years which follow are estimated costs. Please submit bids on a flat fee basis.
7. List any other information the firm may wish to provide.

Time Schedule for Awarding the Contract

1. The proposal must be received by February 4, 2005 at **12:00 NOON** at 301 W Main Street Carrboro, NC 27510 and be clearly marked “RESPONSE TO RFP FOR AUDIT SERVICES.” The Management Services Department will review the proposals and make a recommendation to the Board of Aldermen. The Town will coordinate and issue information regarding all aspects of this audit. All inquires are to be directed in writing to the Assistant Town Manager/Finance Officer at the above address or email address broenigk@townofcarrboro.org.
2. Proposals may be hand-delivered but they will not be discussed with the submitting firm until after 12:00 NOON February 4, 2005. Discussions after that date will only be clarifying in nature and will not involve any amount of negotiation. If possible submittal of bids prior to February 4 will be appreciated and will aid the Town in the summarization process. However, the date of submission up until 12:00 NOON on February 4, will not, in any matter, affect the consideration of the proposal.

3. The audit contract will be awarded by the Board of Aldermen at its regular meeting on March 1, 2005.

Audit Contract & Payment of Audit Fees

The audit contract must be approved by the Local Government Commission (LGC). All requests for payments must also be approved by the LGC. Interim invoices will be paid when due and upon LGC's approval. The final invoice will not be paid until the CAFR, Single Audit and management letter have been reviewed by the LGC.

Description of the Governmental Entity and Its Accounting System

Entity

The Town is a growing community located within Orange County in the north central portion of North Carolina. The Town, covers an area of 5.66 square miles, has a population of 17,500, is situated next to Chapel Hill and the University of North Carolina, and is near the Research Triangle Park.

Funds

The auditor should make reference to the Town of Carrboro's Financial Statements for the fiscal year ended June 30, 2004. The Town still maintains all the funds at approximately the same level unless noted below.

Grants, Entitlements, and Shared Revenues

The auditor should refer to the Town of Carrboro's Financial Statements for the fiscal year ended June 30, 2004. The Town receives all the grants, entitlement, and shared revenues listed on the Schedule of Federal and State Financial Assistance at the approximately the same level unless listed below.

Budgets

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

Accounting Records

The Town of Carrboro maintains its accounting records in the Management Services Department, located at 301 W Main Street. The Town maintains the general ledger, accounts payable, purchasing and payroll systems on MUNIS computer software.

Size and Complexity of Unit

Personnel/Payroll:

Number of employees	191
<i>(includes full-time, part-time and temporary employees)</i>	
Frequency of payroll	bi-weekly

Property Tax:

The Town pays Orange County a percentage of property taxes collected to administer the listing, billing, collecting, delinquency management of all Town of Carrboro personal and real properties.

Total dollar amount of most recent year's collections \$7,874,710

Total dollar amount of levy \$7,988,802

Purchasing:

Number of purchase orders issued 546

Note: The Town also administers a procurement card program that has significantly reduced the number of purchase orders issued by the Town.

Bank Accounts:

Number of bank accounts 4 bank accounts

Number of escrow accounts one, currently

Management Information Systems:

The following financial applications are on the computer system:

General Ledger

Accounts Payable

Payroll

Capital Assets

Accounts Receivable

Purchasing/inventory

Business license

The Recreation Department collects program and reservation revenue and records these financial transactions via departmental software (CLASS system).

The Public Works Department maintains a fleet maintenance inventory and manages the inventory on fleet maintenance software (FASTR system).

New Conditions (list any recent or upcoming changes):

- ☆ The Town will serve as fiscal agency to receive HUD funds on behalf of a nonprofit agency in the approximate amount of \$200,000.
- ☆ The Town is planning to issue bond funds in May 2005 for sidewalk construction and greenways planning as approved in the November 2003 bond referendum. This issue is expected to approximate \$1.9 million dollars, representing the first of three phases for sidewalk and greenway construction in Carrboro.
- ☆ Within the next year or two, Carrboro is anticipating construction of a fire substation in the northern area of town.