



Town of Black Mountain

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REQUEST FOR PROPOSAL FOR AUDITING SERVICES

Sealed proposals addressed to Dean M. Luebbe, Finance Officer, Town of Black Mountain, NC 28711, and marked "RESPONSE TO RFP FOR AUDIT SERVICES" will be received until 2 p.m. EST, March 14, 2012.

TOWN OF BLACK MOUNTAIN, NC
REQUEST FOR PROPOSAL FOR AUDITING SERVICES

The Town Council of the Town of Black Mountain (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 the 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 a proposal in response to this request.

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with the RFP shall govern in any resulting contract(s) unless approved otherwise in writing by the Town. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Buncombe County, North Carolina.

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 No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including revisions published in *Federal Register* June 27, 2003; 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. The Town reserves the right to request proposals at any time following the first year of this contract. Thus, prepare proposals for the following years, with Year One being the only obligated year:

- Year One: July 1, 2011 to June 30, 2012
- Year Two: July 1, 2012 to June 30, 2013
- Year Three: July 1, 2013 to June 30, 2014

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 No. 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.

The auditor will prepare most year-end adjusting journal entries. The auditor will be ultimately responsible for the preparation, typing, proofing, printing, and copying of the Basic Financial Statements, supplementary information and compliance reports. The Town's Finance Officer will be actively involved in the MD&A, and other schedules section preparation. The auditor will submit a draft of the Financial Statements to be reviewed in detail by the Finance Officer. This draft should be submitted to the Town in time to allow ample review and corrections. **The timing of this should insure final completion of the Financial Statements no later than the annual October 31st deadline.**

The Town prefers interim fieldwork be completed in early June. Year-end fieldwork should begin in mid August and be completed by September 15th. **An agreed upon post-closing trial balance must exist by September 30th.** The Finance Officer will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

A preliminary draft of the audit and required journal entries must be submitted to the Finance Officer by October 1st for proofing and reconciliation to the Town's records.

The audit must be completed and reports rendered four months following the fiscal year end (October 31st).

Twenty copies of each audit report, management letter, and other applicable reports must be supplied to the Finance Officer within the time frame cited above. In addition, the auditor is responsible for submitting the required two copies to the staff of the Local Government Commission (LGC).

The financial audit opinion will cover the financial statements for the governmental activities, the business-type activities, the financial statements of the aggregate discretely presented component units, 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 basic 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 working papers shall be retained and made available upon request for no less than three years from the date of the audit report.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be 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.

Audit Contract and Payment of Audit Fees

The audit contract must be approved by the staff of the Local Government Commission (LGC). Invoices are subject to approval by the LGC staff prior to processing by the Town. Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the staff of the LGC and their approval of the audited financial statements.

Other Services

The auditor will prepare, type, and print the Comprehensive Annual Financial Report (CAFR). The auditor will submit a draft for review by the Finance Officer. The Finance Officer will return the draft with proposed revisions within 10 working days.

Other special conditions are as follows:

Assistance to management's efforts to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

Description of Selection Process

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 will be submitted in two sections. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits. The Town will evaluate the auditor/firm on educational and technical qualifications. The top five firms from 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. UNUSUALLY LOW BIDS THAT ARE OBVIOUSLY OUT OF LINE WITH OTHER BIDDERS OR ARE SIGNIFICANTLY LOWER THAN OUR CURRENT FEES WILL RAISE CONCERN. THE LOWEST BID WILL NOT AUTOMATICALLY BE AWARDED PREFERENTIAL CONSIDERATION.

The Town requests that no Town of Black Mountain officials be contacted during this process. The Finance Officer may be contacted only to clarify questions concerning the RFP.

The Town reserves the right to reject any or all bids, 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. The Town also reserves the right to request additional information from proposing firms.

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. Indicate the number of people (by level) located within the local office that will handle the audit.
2. 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.
3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.
4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.
5. Describe the professional experience in governmental audits of each senior and higher level person assigned to the audit, including years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site. Again, relevant experience with the new reporting model should be clearly communicated.
6. 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.
7. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions.

8. 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.
9. Provide names, addresses and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for a reference.
10. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), January 2007 Revision. Provide a copy of the firm's Statement of Policy and Procedures.
11. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
12. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

Second Section

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.

The second section should consist of completed cost estimate sheets, which will include the following information:

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of computer audit specialists.
4. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
5. Information that will be contained in the management letter.
6. Assistance expected from the Town's staff, if other than outlined in the RFP.
7. Tentative schedule for completing the audit within the specified deadlines of the RFP.
8. Specify costs using the format below for the audit year July 1, 2011 to June 30, 2012. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2012 is binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to-exceed” amount.
 - A. Personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
 1. Estimated hours – categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor's office, including document preparation.

2. Rate per hour
3. Total cost for each category of personnel and for all personnel costs in total.
- B. Travel – itemize transportation and other travel costs separately.
- C. Cost of supplies and materials – itemize.
- D. Other costs – completely identify and itemize.
- E. Note your method of determining increases in audit costs on a year to year basis.
9. Please list any other information the firm may wish to provide.
10. Please include the Summary of Audit Costs Sheet with your proposal.

Time Schedule for Awarding the Contract

Request for proposal packages will be mailed on February 1, 2012.

Proposals signed by authorized officials will be received by Dean M. Luebbe, CPA, Finance Director, at Town of Black Mountain, 160 Midland Avenue, Black Mountain, NC 28711, until March 14, 2012, at 2:00 p.m. Envelopes containing proposals should be clearly identified on the front with the words “RESPONSE TO RFP FOR AUDIT SERVICES”. The Finance Director will review the proposals and make a recommendation to the Board of Alderman on April 9, 2012, at which time the contract will be awarded.

Any questions should be directed to Dean M. Luebbe, Finance Director, at (828) 419-9301. Appointments may be scheduled to discuss further any specific matters necessary in preparing your proposal.

Description of the Governmental Entity and Its Accounting System

Entity

The Town of Black Mountain is a municipality in North Carolina with a population of approximately 7,500. The governing body consists of a Mayor and five Board members. The Town provides the following services to its citizens: police protection; fire protection; street maintenance; contracted trash, refuse and recycle pickup; planning and code enforcement; and parks and recreation. The Town also operates a water system.

Funds

The Town of Black Mountain maintains the following funds:

Governmental Funds:

General Fund

Special Revenue Fund

Proprietary Funds:

Water Fund

Water Capital Projects Fund

Golf Fund
Golf Capital Projects Fund
Fiduciary Funds:
Pension Trust Fund

Budgeted revenues, excluding project amounts are estimated at \$9 million in Fiscal Year 2011/2012. In addition, outstanding debt totaled 5.3 million dollars at June 30, 2011.

Grants, Entitlements and Shared Revenues

A copy of the Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2011 is enclosed with this RFP.

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 maintains all its accounting records at the finance office located at 160 Midland Avenue, Black Mountain, NC. The Town maintains its cash receipts journal, cash disbursements journal, general ledger and accounts receivable ledger on ICS Systems, Inc. Municipal Accounting Software.

Assistance Available to Auditor

The Town will make available to the auditor sufficient help to pull and re-file records, and prepare and mail all necessary confirmations. A trial balance with budgeted amounts will be made available on Friday, September 2, 2012. The following accounting procedures will be completed and documents prepared by the Town's staff no later than Friday, September 2, 2012.

- The books of account will be fully balanced.
- All subsidiary ledgers will be reconciled to control accounts.
- All bank reconciliations for each month will be completed.

The Town's personnel will prepare the following items:

General

1. General Ledger transaction detail report for each account.
2. A copy of the original budget, all amendments and the final budget as of June 30, 2012.

3. A copy of all project ordinances and all amendments for active projects during the audit period.
4. A copy of the operating and capital lease schedules itemizing contracts in force during the audit period as well as access to the lease files maintained by the Town.
5. A copy of board policies, including travel and investment policies.
6. Copies of all correspondence with the staff of the Local Government Commission, including semiannual Cash and Investment Reports (LGC-203), unit letters, faxes regarding the audited financial statements and compliance reports for the previous year.
7. Schedule of insurance coverage.

Cash and Investments

1. All bank reconciliations for each month.
2. List of outstanding checks by account, showing check number, date and amount.
3. Schedule of all investments for all funds at the audit date, showing book value and estimated market value at fiscal year-end.

Receivables

1. Listing of outstanding Water Fund receivables by account as of the fiscal year end.
2. Listing of outstanding Water Fund receivables in detail as of the fiscal year end.
3. Schedule of miscellaneous receivables booked as of the fiscal year end.

Capital Assets

1. Printout of all capital asset acquisitions made during the audit year.
2. Printout of all capital asset dispositions made during the audit year.

Current Liabilities

1. Schedule of accounts payable.
2. Schedule of accrued payroll.

Long-Term Debt

1. Computation of vested vacation payable as of the audit date.
2. Outstanding Debt Schedules as of the audit date.

Grants

The following will be compiled for each grant:

1. Grant agreement.
2. Budget.
3. Correspondence with grantor agency, including monitoring reports.

Size and Complexity of The Town

Personnel/Payroll:

Number of full-time employees:	<u>72</u>
Frequency of payroll:	<u>biweekly</u>

Property Tax (collected by Buncombe County):

Total dollar amount of most recent year's collections:	<u>3,300,000</u>
Total dollar amount of levy:	<u>3,320,000</u>

Water Billing:

Number of statements each month:	<u>3,000</u>
Average number of delinquent accounts at month end:	<u>350</u>

Purchasing:

Number of purchase orders issued:	<u>500</u>
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Bank Accounts:

Number of bank accounts:	<u>6</u>
Average monthly activity in main accounts:	
Number of deposits (Central Depository)	<u>50</u>
Number of checks (Central Depository)	<u>200</u>
Payroll (direct deposit)	<u>140</u>

The following financial applications are on the computer system:

- General Ledger
- Accounts Payable
- Purchase Orders
- Central Collections
- Utility Billing

Contact Information:

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Finance Director
Town of Black Mountain
160 Midland Avenue
Black Mountain, NC 28711
(828) 419-9301 (phone)
(828) 669-4204 (fax)
dean.luebbe@townofblackmountain.org

SUMMARY OF AUDIT COSTS SHEET

1. Base Audit (Includes Personnel costs, travel and on-site work)	\$ _____
2. Financial Statement Preparation	\$ _____
3. Extra Audit Service (\$ _____ per hour)	\$ _____
4. Other (explain) _____	\$ _____
5. Other (explain) _____	\$ _____
TOTAL	\$ _____