

REQUEST FOR PROPOSAL
FOR AUDITING SERVICES



May 11, 2020

Southwestern Commission (hereinafter called the "Commission") invites qualified independent auditors (hereinafter called "auditor") having sufficient governmental accounting and auditing experience in performing an audit and financial statement preparation 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 Commission to reimburse firms for any expenses incurred in preparing proposals in response to this request.

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

Type of Audit

The services requested in this RFP will encompass a financial and compliance audit the Commission's basic financial statements including the Schedule of Expenditures of Federal and State Awards ("SEFSA") 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 auditing standards generally accepted in the United States of America (aka "GAAS"); *Government Auditing Standards*, July 2018 revisions, the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), the State Single Audit Implementation Act; and all other applicable laws and regulations.

The scope of the audit and all fee quotes presented should include all approved and known pronouncements through the date of proposal submission. This includes, but is not limited to, the Governmental Accounting Standards Board ("GASB") statements and *Government Auditing Standards*. Although some pronouncements will not be in effect until after the first year of the audit, estimates for future years should include pronouncements that will become effective during that contract period. The audit firm will be expected to advise the Commission's staff on the applicability of accounting and reporting standards as they become effective.

The financial audit opinions will cover the financial statements for the governmental activities and each major fund which collectively comprise the basic financial statements. The

supplemental schedules will be presented as additional analytical data. This supplemental information 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 express an opinion on the budgetary comparison information for the General Fund and annually budgeted major special revenue fund. An opinion will not be given on the Management Discussion and Analysis (“MDA”).

If required, the audit firm will issue a management letter to the Executive Committee after completion of the audit and assist management in implementing recommendations, as is practical. The Commission’s staff also request that an informal letter be addressed to the Finance Officer with any efficiency, internal control, or accounting improvements that could be made based on the audit staff’s observation during their fieldwork. All content must be discussed with the Finance Officer prior to issuance.

The Commission’s staff may require the auditor’s guidance or input 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 inclusion in the Commission’s financial statements. Guidance may be required for new note disclosures, all outstanding and effective authoritative standards and other reporting requirements at June 30 year-end. Cost for providing these services should be included in the auditor’s base fee quote and will not be considered extra for additional billings. In cases, however, where services requested would require a more in-depth scope and require work significantly above the original fee quote, such additional fees must be negotiated prior to commencement of work.

The audit should encompass all funds and entity-wide activities as reported in the Commission’s Audit Report at 2019 year-end and any additional funds or entity-wide activities that may be added subsequent to that date (if any).

Auditor Requirements

The audit firm is considered to be an independent contractor and will be wholly responsible for the services and the supervision of its own employees and permitted sub-contractors.

A planning meeting will be held each year to determine schedules the Commission's staff will be responsible for preparing. Estimated timeframes will be established and interim audit work will be planned. Adequate notification will be given prior to any changes in estimated times.

The Commission's audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2018 revisions, issued by the Comptroller General of the United States, by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor must provide a copy of their most recent peer review report with their proposal.

The Commission's staff will prepare all standard year-end accruals and other adjusting journal entries. The Financial Statement Preparer will prepare the government wide year-end adjusting journal entries as well as the entries to adjust the Commission's proportionate share of its state pension activity. The Commission has an "Other Post Employment Benefits" ("OPEB") plan. It currently has no participants. Therefore, the Commission does not apply GASB Statement No. 75. CHANGE

Please include, separately, the cost for preparing the financial statements. The Commission shall designate an individual, such as the Finance Officer, with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. The Commission's management will ultimately be responsible for the preparation and fair presentation of the financial statements, which includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements. The Commission will need the assistance of the Financial Statement Preparer for the preparation, typing, proofing, printing, and copying of the Basic Financial Statements, supplementary information and compliance reports. The Commission's Finance Officer will prepare the MDA. A preliminary draft of the audit and required adjusting journal entries must be submitted to the Finance Officer by October 1 for proofing and reconciliation to the Southwestern Commission's records to allow ample time for review and corrections before it is sent to the Local Government Commission. The Commission's Finance Officer will return the draft to the Financial Statement Preparer with proposed revisions within 10 working days. The financial statement preparer will be ultimately responsible for the

preparation, typing, proofing, printing, and copying of the Basic Financial Statement, supplementary information and all applicable compliance reports.

Period

The Commission 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 Commission 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:

[July 1, 2020 to June 30, 2021](#)

[July 1, 2021 to June 30, 2022](#)

[July 1, 2022 to June 30, 2023](#)

The timing of this should ensure final completion of the Financial Statements no later than the annual October 31st deadline as specified in the LGC 205, “Contract to Audit Accounts”.

Fieldwork should 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.

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

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

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. Any other copies required will be charged on an as needed basis in addition to the quoted fee.

The Finance Officer will complete the required data input sheet. The auditor will electronically submit the final audited financial statements, compliance reports and other required documents as text-based PDF files to the State and Local Government Finance Division.

The financial audit opinions will cover the financial statements for the governmental activities, and each major fund which collectively constitutes the basic financial statements. The supplemental schedules are not necessary for fair presentation but, will be presented as additional analytical data. This supplemental information 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 and the annually budgeted special revenue fund. An opinion will not be given on the MDA or required supplementary information.

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 & 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 payment by the Commission. 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.

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.”

Audit and financial statement preparation 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 Commission’s staff will evaluate the auditor/firm on educational and technical qualifications. The top three firms from the first section will have their second section opened and evaluated. The firm best meeting the Commission’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.

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

The Commission 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 Commission.

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 for the audit and financial statement preparation 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 and/or prepare the financial statements.
2. Provide a list of the local office's current and prior government clients within the past five years, indicating the type(s) of services performed and the number of years served for each. Responsive firms should include any relevant information regarding experience conducting Single Audits, audits of Councils of Governments, and audits of entities with indirect costs.
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 firm'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 and/or financial statement preparation of each senior and higher-level person assigned to the audit, the 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.
6. Describe the relevant educational background of each person assigned to the audit and/or financial statement preparation, 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 and/or financial statement preparation for relevant government organizations, programs, activities, or functions (e.g., aging programs, revolving loan programs, etc.).
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 and/or financial statement preparation clients who may be contracted for a reference.
10. Describe the firm's Statement of Policy and Procedures regarding Independence under *Government Auditing Standards* (Yellow Book), July 2018 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. Describe the audit firm's strategy to performing audits during the COVID-19 pandemic specifically addressing compliance testing of various federal and State programs

Second Section

Audit proposals should include completed cost estimate sheets and any other necessary cost information in a *separate, sealed* envelope marked – “Cost Estimate.” The Commission plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.

This second section should consist of completed cost estimate sheets, which will include the following information for the audit proposal:

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. The audit firm’s approach to 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 Commission’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, 2019 to June 30, 2020. For the two audit years which follow, list the estimated costs. The cost for the audit year ending June 30, 2020 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.
 - 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. If applicable, note your method of determining increases in audit costs on a year to year basis.

9. Financial statement preparation proposals should include all costs necessary to prepare the Commission's financial statements in accordance with accounting principles generally accepted in the United States of America including the Schedule of Expenditures of Federal and State Awards. Include estimated hours and the rate per hour for each category of personnel involved. Also, include any related expense charges.
10. Please list any other information the audit firm may wish to provide.
11. Please include the Summary of Audit Costs Sheet with your proposal.

Time Schedule for Awarding the Contract

Please acknowledge the receipt of this request for proposal and your intent to respond with a proposal by **June 5, 2020**.

Proposals signed by authorized officials will be received by Debra Ivey, Office Manager, at 125 Bonnie Lane, Sylva NC 28779 until **June 19, 2020** 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 Executive Director and Finance Officer will review the proposals and make a recommendation to the Executive Committee by June 30, 2020, at which time the contract will be awarded.

Any questions should be directed to Debra Ivey, at 828-586-1962. Appointments may also be scheduled to discuss further any specific matters necessary in preparing your proposal. Please call Debra Ivey at 828-586-1962 to schedule an appointment.

Description of the Commission and Its Accounting System

Entity

The Southwestern Commission is a regional council of governments in North Carolina and serves Cherokee, Clay, Graham, Haywood, Jackson, Macon, and Swain Counties and the Eastern Band of Cherokee Indians. The Commission is part of a system of 16 regional councils (Region A) covering the entire state. Although the majority of the Commission's funding is from federal and state sources, the Commission is a **local governmental unit**, which is responsible to its membership.

Funds

The auditor should refer to the Commission's Basic Financial Statements for the previous year ended June 30, 2019. The Commission still maintains all the funds at similar levels.

Grants, Entitlements, and Shared Revenues

The financial statements referenced above includes the Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2019. Also included is a Summary of the Auditor's Results showing the major programs for the year ended June 30, 2019.

Budgets

The Commission's budgets all funds on the modified accrual basis of accounting as required by North Carolina law. Appropriations are made at the departmental level. The budgetary system is integrated with the accounting system to provide easy comparison with actual expenditures.

Accounting Records

Southwestern Commission maintains all its accounting records at the finance office located at 125 Bonnie Lane, Sylva NC 28779. The Commission maintains its accounting records on local computers in the finance office and finance assistant's office. The following financial applications are MicroFund and Payforce: General Ledger, Accounts Payable, Payroll, and Budget.

Assistance Available to Auditor and to the Preparer of the Commission's Financial Statements

The Commission will make available to the auditor sufficient help to pull and re-file records and prepare and mail all necessary confirmations. A trial balance will be made available via Excel on September 9, 2020. The following accounting procedures will be completed, and documents prepared by the Commission's staff no later than September 9, 2020.

The books of account will be fully balanced.

All subsidiary ledgers will be reconciled to control accounts.

All bank account reconciliations for each month will be completed.

The Commission's staff will prepare the following items:

General Fund

Special Revenue Fund - Includes all grant funds Agency Funds

General

1. Working Balance Sheet.
2. Working Statement of Revenues, Expenditures, and Transfers.
3. General Ledger transaction detail report for each account, as requested.
4. A copy of the original budget, all amendments, and the final budget as of June 30, 2020.
5. A copy of all project ordinances and all amendments for active projects during the audit period.
6. 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 in the Commission's office.
7. A copy of board policies, including travel and investment policies.
8. 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.
9. Management's Discussion and Analysis.

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 receivables as of the fiscal year end.
2. Schedule of miscellaneous receivables booked as of the fiscal year end.

Other Assets

1. Schedule of insurance coverage.

Capital Assets (As of June 30, 2019, all capital assets were fully depreciated)

1. Printout of all capital asset acquisitions made during the audit year (if any).
2. Printout of all capital asset dispositions made during the audit year (if any).
3. Printout of depreciation expense posted for the audit year (if any).

Current Liabilities

1. Schedule of accounts payable.

Long-Term Debt

1. Computation of vested vacation payable as of the audit date.
2. Debt Schedule for each debt and related payments (if any).

Grants

The following will be available for each grant:

1. Grant agreement.
2. Budget.
3. All financial reports.
4. Correspondence with the grantor agency, including monitoring reports.
5. CFDA # and/or pass-through grant #.

Size and Complexity of the Commission

Main Payroll

Number of employees	<u>19</u>
Frequency of payroll	<u>Bi-weekly</u>
Number of payroll checks/vouchers annually	<u>494</u>

Purchasing

Purchase orders are not issued.	<u>N/A</u>
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Bank Accounts

Number of bank accounts (including three for NCCMT)	<u>4</u>
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Average monthly activity in main accounts

Number of deposits (Operating Account) (Includes electronic deposits)	<u>20</u>
Number of checks:	
Operating Account (checks per month)	<u>150</u>
Central Depository (electronic transfers per month)	<u>15</u>
Payroll (checks per month)	<u>0</u>
Payroll (electronic transfers per month)	<u>38</u>

The following financial applications are on the hosted desktop:

General Ledger
Accounts Payable
Payroll

Special Conditions

The Commission will prepare any required schedules and additional statements that might be needed for grantor agencies (i.e. Statement of Indirect Cost, etc.).

Contact information:

Name: Debra Ivey

Title: Office Manager
Southwestern Commission

Address: 125 Bonnie Lane
Sylva, NC 28779

Phone: 828-586-1962
Fax: 828-586-1968
Email: debra@regiona.org

SUMMARY OF AUDIT AND/OR FINANCIAL STATEMENT PREPARATION 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

\$ _____