



Town of North Kingstown, Rhode Island

80 Boston Neck Road
North Kingstown, RI 02852-5762
Phone: (401) 294-3331
Fax: (401) 885-7373
Web: www.northkingstown.org

Request for Proposals - Professional Auditing Services Agreed-Upon Procedures Services

The Town of North Kingstown, Rhode Island is requesting proposals from qualified independent public accounting firms or accountants, to conduct an examination and to render an opinion on the comprehensive annual financial statements of the Town. The auditors engaged to perform the annual audit of the Town of North Kingstown shall also be engaged to report on their tests of compliance with the School Uniform Chart of Accounts requirements in an agreed-upon procedures compliance attestation format. Firms expressing interest will be provided with a copy of a request for proposal (RFP).

Five (5) sets of the above sealed proposal will be accepted in the Finance Department, Town of North Kingstown, 80 Boston Neck Road, North Kingstown, RI 02852-5762, until 11:00 AM on April 19, 2011, and will then be publicly opened and read. **NO PROPOSALS WILL BE ACCEPTED AFTER THE 11:00 AM DEADLINE.**

Proposals will be evaluated in accordance with R.I. General Law 45-55-5 (2) "Competitive Sealed Bidding," and the award shall be made on the basis of the lowest evaluated and responsive bid price.

A certificate of Insurance showing Professional Liability and Workers Compensation with a waiver of subrogation will be required of the successful bidder. The Town of North Kingstown reserves the right to reject any or all proposals or parts thereof, to waive any formality in same or reject any proposal deemed not to be in the best interest of the Town.

The Town of North Kingstown will provide interpreters for the hearing impaired at the bid opening, provided a request is received three (3) days prior to said meeting by calling 294-3331, ext. 140.

Patricia A. Sunderland
Finance Director

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I. INTRODUCTION

A. General Information

The Town of North Kingstown, Rhode Island is requesting proposals from qualified public accounting firms or accountants to audit its financial statements for the fiscal year ending June 30, 2011 with the option of an additional 2-year extension to fiscal years ending June 30, 2012 and June 30, 2013. **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).**

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 financial statements taken as a whole.

The North Kingstown School Department implemented a new Uniform Chart of Accounts (UCOA). The auditors engaged to perform the annual audit of the Town of North Kingstown shall also be engaged to report on their tests of compliance with the School UCOA requirements in an agreed-upon procedures compliance attestation format.

There is no expressed or implied obligation for the Town of North Kingstown, 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 Patricia A. Sunderland, Finance Director. To be considered, five (5) copies of a proposal must be received by the Town of North Kingstown's Finance Department at 80 Boston Neck Road by 11:00 AM on April 19, 2011. The Town of North Kingstown 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 North Kingstown 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 North Kingstown and the firm selected.

It is anticipated the Town Council will complete the selection of a firm no later than June 13, 2011. 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 North Kingstown and the selected firm).

Following completion of the fiscal year 2011 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 North Kingstown is soliciting the services of qualified public accounting firms or accountants to audit its financial statements for the fiscal year ending June 30, 2011 with the option of an additional 2-year extension to fiscal year June 30, 2013 contingent upon satisfactory completion. 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 North Kingstown 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 June 30 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 Assets, Changes in Net Assets and Cash Flows for non-major funds, Private Purpose Trusts and Agency Funds

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

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 and one Audit Committee 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:

auditing standards generally accepted in the United States of America, 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 North Kingstown prior to the exit conference so that there will be adequate time for review. The final report and 50-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 report shall also be delivered to the State Auditor General and the State Director of Revenue within six months after the close of the fiscal year. A copy of final written correspondence between the audit firm and those charged with governance (e.g. Statement on Auditing Standards No. 114 – 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 based on an audit performed in accordance with generally accepted auditing standard and Government Auditing Standards;
- 2) Supplementary financial statements, schedules and information;
- 3) Compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards;
- 4) Reports required under separate agreements such as grants or trusts;

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

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. Note that these reports must be submitted to conform to RI Department of Education deadlines;

- 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 reports. Other matters 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 reports 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 and Audit Committee of the Town of North Kingstown 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 North Kingstown; 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 North Kingstown 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 North Kingstown Town Council.

Auditors shall assure themselves that the Town of North Kingstown'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 North Kingstown 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 North Kingstown 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. Audit Documentation Retention and Access to Audit Documentation

All audit documentation and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the Town of North Kingstown of the need to extend the retention period. The auditor will be required to make audit documentation available upon request by the Town.

The contract between the Town of North Kingstown 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 North Kingstown School District 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 current agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

IV. DESCRIPTION OF THE GOVERNMENT

A. General

The firm's principal contact with the Town of North Kingstown will be the Finance Director, or a designated representative, who will coordinate the assistance to be provided by the Town of North Kingstown to the firm.

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 North Kingstown serves an area of forty-four square miles with a population of 26,326 (2000 Census). It is primarily a residential suburb approximately 22 miles south of Providence, but it is also emerging as an important employment center because of the location of the Quonset Business Park. The Town operates under a home rule charter adopted in 1954, and subsequently amended, providing for a council/town manager form of government with a five-member Town Council by the Charter, including the adoption of the Town budget, the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the Town.

The Town of North Kingstown provides the following services to its citizens:

Public Safety (Law Enforcement, Code Enforcement Emergency Medical and Fire Services)

Education (Kindergarten through Grade 12)

Public Works (Road Maintenance, Recycling Pickup and Solid Waste Disposal Services (Transfer Station), Parks and Facilities Maintenance, Street Lighting, Development Oversight)

Recreation (Beach, Arts, Golf Course, Marina, Youth and Adult Activities)

Senior Services

Welfare Services

Free Library

The Town has a total payroll of \$49,843,350 covering approximately 900 employees.

The Town's approved General Fund operating budget for FY 2011 (July 1 through June 30) is \$24,937,007.

The Town of North Kingstown, Rhode Island is organized into fifteen departments. The accounting and financial reporting functions of the Town of North Kingstown are centralized.

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

BUDGET DOCUMENT

<http://www.northkingstown.org/financeinfo/fibudget.htm>

ANNUAL FINANCIAL REPORT

http://www.northkingstown.org/financeinfo/annual_financial_report.htm

PLEASE CONTACT PATRICIA A. SUNDERLAND AT 401 294-3331 x140 TO OBTAIN ACCESS TO THE ABOVE DOCUMENTS IF HARD COPY IS REQUIRED.

C. Fund Structure

The Town of North Kingstown 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	77	2
Debt Service Funds	1	1
Capital Projects Funds	7	
Permanent Funds	15	
Enterprise Funds	7	2
Internal Service Funds	2	
Private-Purpose Trust Funds	12	
Agency Funds	4	

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 enterprise funds, Municipal Court, Water and Quonset/Davisville Recreation (golf course and marina operation) are budgeted on a full accrual basis. Expenditures are recorded when the commitment is made, such as when a purchase order is issued. Revenues are recognized when they are obligated to the Town, such as when a water bill is sent.

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 North Kingstown received federal awards from the following:

U.S. Department of Housing and Urban Development:

Community Development Block Grant

U.S. Department of Education:

PL94-142

Title I

Title II Teacher Quality*

Education of Homeless Children

Preschool Services

Child Opportunity Zone

Drug-Free Schools

21st Century Learning*

Title III English Language Learners

Perkins Vocational Education

Federal Stabilization Grant*

Title V

U.S. Department Of Homeland Security:

Homeland Security Domestic Preparedness

Corporation for National and Community Service:

RI Learn and Serve America

Environmental Protection Agency:

Environmental Protection Agency Water Tank Refurbishment

U.S. Department of Agriculture:

National School Lunch

National School milk

National School Breakfast

Food Commodities

**Denotes Major Program*

F. Pension Plans

The Town of North Kingstown participates in the Employees' Retirement System of Rhode Island pension plans for all eligible employees. There is also a Police Pension Plan managed by the Hartford for 19 retirees and/or beneficiaries that are provided for police officers who retired prior to joining the State of Rhode Island plan.

G. Joint Ventures

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

H. Magnitude of Finance Operations

By Town Charter the financial accounting functions are under the direction of the Finance

Director. The Finance Department maintains the formal official Town accounting records. However, the administering departments keep additional supporting documentation of the operations of the programs. The Finance Department consists of five (5) divisions under the management of the Finance Director: Leadership, Accounting, Purchasing, Collections, and Payroll. In FY 2011 the department had 6 employees with an annual budget of \$408,346.

I. Computer Systems

<u>Type of Equipment</u>		<u>Number</u>	<u>Hardware</u>	
			<u>Make of Equipment</u>	<u>Networked?</u>
UNIX Box		1	IBM	Yes
Network Servers		27	Dell and Cisco	Yes
PC Workstations(incl laptops)		Est. 250	Dell	Yes
			<u>Software</u>	
<u>Make</u>	<u>Vendor</u>		<u>Major Applications</u>	
MUNIS	MUNIS		Financial Including Payroll, Personnel, General Ledger, Fixed Assets, Purchasing, Payables, Tax and Utility Assessment and Collection	
VISION	Vision Appraisal Technology		Real Estate Tax Appraisal system	
PPAS	RRC		Personal Property Tax Appraisal Sys	
Seprac	Cryan Tokay		ISDS recording keeping Backflow prevention tracking	

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 April 8, 2011
- Written responses to proposer's questions mailed April 13, 2011
- Due date for proposals April 19, 2011 by 11:00AM

B. Notification and Contract Dates

- Selection & Notification June 3, 2011
- Award by Town Council June 13, 2011
- 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 VI. A1. Inquiries below.

Questions/requests for clarifications must be received by the Town's Finance Director no later than Friday, April 8, 2011. Written responses to the questions/requests for clarifications will be sent to all potential proposers via first class mail, fax or e-mail on April 13, 2011. **NO PHONE CALLS PLEASE.**

- C. Schedule for the 2011 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 firm shall provide the Town of North Kingstown by August 1st both a detailed audit plan and a list of all schedules to be prepared by the Town of North Kingstown.
3. **Fieldwork**
The firm shall complete all fieldwork by October 15th.
4. **Draft Reports**
The firm shall have drafts of the audit report[s] and recommendations to management available for review by November 1st.

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

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

	<u>Month of</u>
Entrance conference with all Key finance department personnel	July
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 work space and other needs of the firm.	
Conference with Finance Director	July
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	Late August
The purpose of this meeting will be to discuss the year-end work to be performed.	

Exit conference

October

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

In addition, the firm shall provide written reports on the progress of the audit and agreed-upon procedures on the following dates:

September 15th and October 15th

F. Date Final Reports are Due

A draft auditor's report shall be delivered to the Town by November 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 November 30th.

The final audit report and 50-signed copies should be delivered to the Finance Director at 80 Boston Neck Road, North Kingstown, Rhode Island 02852.

The final agreed-upon procedures report and 20 copies shall be delivered to the Finance Director at 80 Boston Neck Road, North Kingstown, Rhode Island 02852.

The Town of North Kingstown 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 not later than six months after fiscal year-end.

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 North Kingstown

The staff of Town of North Kingstown 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 firm. Pulling and refilling of documents and invoices is the responsibility of the firm. The firm 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 firm.

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:

Patricia A. Sunderland, Finance Director
 Town of North Kingstown
 80 Boston Neck Road
 North Kingstown, RI 02852

Phone (401)268-1510
 FAX (401)294-2436
 E-Mail psunderland@northkingstown.org

2. Submission of Proposals

The following material is required to be received by 11:00 AM on April 19, 2011 for a proposing firm to be considered:

- a. A master copy (so marked) Proposal and four 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 stating briefly 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 four copies of a dollar cost bid clearly marked as follows:

**PROPOSAL
FOR
Town of North Kingstown, Rhode Island
FOR
PROFESSIONAL AUDITING SERVICES
AGREED-UPON PROCEDURES SERVICES**

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

Town of North Kingstown
80 Boston Neck Road
North Kingstown, RI 02852

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 and agreed-upon procedures of the Town of North Kingstown 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 the 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 audit services requirements in 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 North Kingstown 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 field work 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 North Kingstown. However, in either case, the Town of North Kingstown 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 North Kingstown 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 North Kingstown, Rhode Island

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the Town of North Kingstown 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 North Kingstown'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 North Kingstown'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 North Kingstown.

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

The Town of North Kingstown 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 North Kingstown.
- 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 North Kingstown 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 North Kingstown to request the firm 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 North Kingstown and the firm. Any such additional work agreed to between Town of North Kingstown 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 of the Town of North Kingstown.

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 Chairperson of the Town Audit Committee, Finance Director, and Town Manager and recommended for selection to the State of R.I. Auditor General for his approval prior to final selection by the North Kingstown 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 North Kingstown 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 firm is independent and licensed to practice in Rhode Island
 - b. The 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 North Kingstown;
 - 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 North Kingstown, 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 North Kingstown 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 June 3, 2011. 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 North Kingstown and the firm selected. The Town of North Kingstown 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. UCOA Agreed-Upon Procedures

APPENDIX A

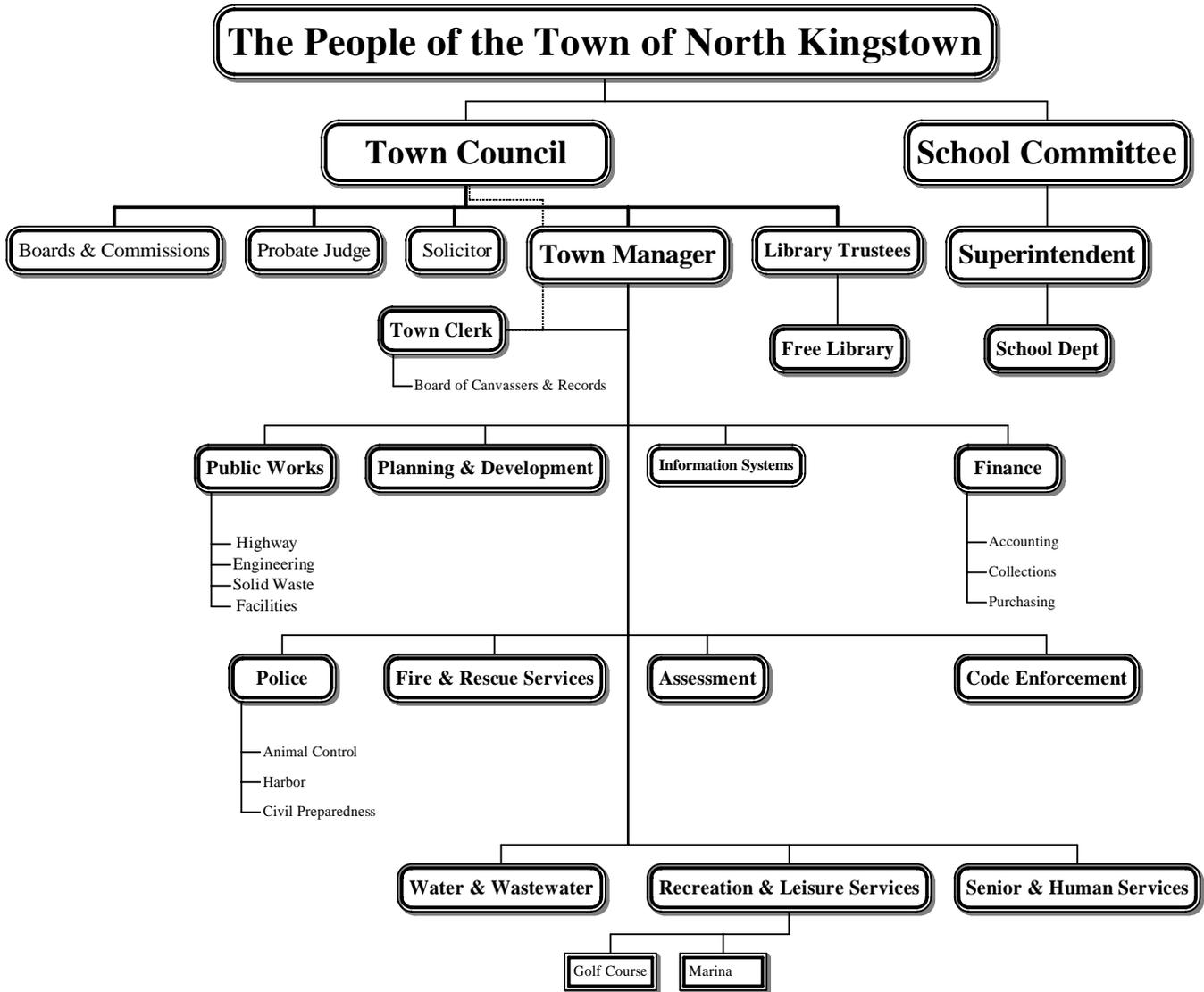
REPORTABLE CONDITIONS FROM MOST RECENT EXTERNAL AUDIT

External Audits:

<u>Report</u>	<u>Findings</u>	<u>Resolved?</u>
6/30/10	Accounting Manual	work in progress
6/30/10	Finance Department Staffing	pending

APPENDIX B

ORGANIZATIONAL CHART



APPENDIX C

LIST OF KEY OFFICIALS

TOWN OF NORTH KINGSTOWN OFFICIALS

OFFICIAL	NAME	(401)294-3331	Location
TOWN MANAGER	Michael E. Embury	x200	Town Hall
DIRECTOR OF FINANCE	Patricia A. Sunderland	x140	Town Hall
CONTROLLER	Jeanna Krukowski	x141	Town Hall
DIRECTOR OF INFORMATION TECHNOL	Jason Albuquerque	x150	Town Hall
SCHOOL SUPERINTENDENT	Philip Thornton	268-6400	100 Fairway Dr.
SCHOOL DIR OF ADMINISTRATION	Ned Draper	268-6410	100 Fairway Dr.
SCHOOL CONTROLLER	Steven Janelle	268-6411	100 Fairway
TOWN SOLICITOR	James Reilly	789-7800	28 Caswell St. Narragansett, RI 02882

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 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 North Kingstown.
- 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 2011 FINANCIAL STATEMENTS AND
UCOA AGREED-UPON PROCEDURES**

	Audit Hours	Agreed-Upon Procedures Hours	Standard Hourly Rates	Quoted Hourly Rate	Total
Partners					
Managers					
Supervisory Staff					
Staff					
Other (specify)					
Out-of-pocket expenses:					
Meals and lodging					
Transportation					
Other (specify)					

Total all-inclusive maximum price for 2011 services

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 2012 FINANCIAL STATEMENTS AND
UCOA AGREED-UPON PROCEDURES**

	Audit Hours	Agreed-Upon Procedures Hours	Standard Hourly Rates	Quoted Hourly Rate	Total
Partners					
Managers					
Supervisory Staff					
Staff					
Other (specify)					
Out-of-pocket expenses:					
Meals and lodging					
Transportation					
Other (specify)					

Total all-inclusive maximum price for 2012 services

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 2013 FINANCIAL STATEMENTS AND
UCOA AGREED-UPON PROCEDURES**

	Audit Hours	Agreed-Upon Procedures Hours	Standard Hourly Rates	Quoted Hourly Rate	Total
Partners					
Managers					
Supervisory Staff					
Staff					
Other (specify)					
Out-of-pocket expenses:					
Meals and lodging					
Transportation					
Other (specify)					

Total all-inclusive maximum price for 2013 services

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 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 NORTH KINGSTOWN
80 Boston Neck Road
North Kingstown RI 02852-5762

And the Firm:
(Name and Address)

For the following Project: Professional Services

A. The Owner and 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

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:

<u>Addendum No.</u>	<u>Description</u>
_____	_____

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 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. The sample of transactions to be tested for compliance with UCOA coding shall be selected randomly from this 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 and subfund
- Location
- Function
- Program
- Subject
- Object
- Job classification (for applicable personnel costs)

For personnel costs selected for testing, location (school) 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 the fund or funds 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 or funds 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.**

*Rule 30 - 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).*

Rule 44 - 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).

*Rule 128 - Short-term or revolving credit is included in Function 332 (Business Operations); these are **not** charged to Function 421 (Debt Service).*

4. **Transportation costs must be segregated by purpose – instruction trips (function 122), extracurricular (function 213), and out-of-district public, parochial, private and charter school pass-thru (function 431) should be reported separately from everyday transportation which is reported in function 311.**

- For entities that contract for transportation services, determine if invoices received from the vendor segregate trips and related costs into the four required areas. If yes, select one invoice and determine if the amounts recorded in the accounting system are coded consistent with the detail vendor invoice and UCOA instructions.
- For entities that operate their own transportation program, determine if data exists (trip logs etc. and cost information) to support costs allocated to the four function codes. Trace one posting in the accounting system to documentation supporting cost allocations to the four function codes.

*Rule 157 - Extracurricular transportation is included in Function 213 (Extracurricular); these are **not** charged to Function 311 (Transportation).*

5. 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, function, or object and in the same proportion when allocated to more than one fund, subfund, function, or object. 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, function, or object and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- Short-term substitute teachers wages are charged to Subject 0000 – General Education.

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 code or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA code. 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 or subfund.

Rule 25 - 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.

Rule 62 - 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.

Rule 31 - 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).

Rule 92 - For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 214 (Student Health and Services), not Function 111 (Instructional Teachers).

*Rule 93 - Nurses and other non-standard instructors included in Function 214 (Student Health and Services) 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).*

Rule 80 - Long-term substitute teachers must be charged to the Subject code for the specific subject being taught and the specific location assigned. Short-term substitute teachers must be charged to Subject 0000 (General Education). For location codes, a District may either use the payroll system to allocate short-term substitute teachers costs to all appropriate locations, or use account 99/999 and use the UCOA Allocation Tool to allocate the costs.

6. When services for educational and special needs are supplied by sources outside the district, the tuition and other costs (transportation) are segregated under Function 431. Therapeutic services contracted from private or other public schools for in-district students are reported under Function 232.

- Obtain a copy of RIDE's applicable Special Education Census Report (Reports No. 3, 6, and 10). These reports provide the distribution of full-time-equivalent (FTE) students with disabilities served, both in-district and out-of-district, for each district. If FTE's are reported for in-district and out-of-district students, verify charges are posted to Function 232 and Function 431, respectively.
- Select a sample of transactions posted to Function 431. A sample size of 5 transactions shall be tested for entities with aggregate fiscal year expenditures less than \$5 million and a sample size of 10 transactions shall be tested for entities with aggregate fiscal year expenditures greater than \$5 million. Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified under Function 431. (If function 431 expenditures are tested in Compliance Testing Requirement No. 1, they may be also used to satisfy this compliance testing requirement.)

*Rule 34 - **District-contracted** therapeutic services **from** private schools for district Special Education pupils are included in Function 232 (Therapists, Psychologists, Evaluators, Personal Attendants, and Social Workers). For example, Occupational Therapists and Physical Therapists for non-public schools. These are **not** charged to Function 431 (Out-of-District Public, Parochial, Private, and Charter School Pass-Throughs).*

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 Agree-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 example:

Agreed-upon procedure	Sample size (if applicable)	Results of testing
<p>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.</p>		
<p>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 the fund or funds of the municipal school district, regional school district, collaborative, or charter school as reported in the final audited financial statements.</p>		
<p>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 <u>and</u> annual or longer-term leases for rental of the main school facility (<i>or facilities if the school has more than one location</i>). Short-term leases should not be included in Function 421.</p>		
<p>4. Transportation costs must be segregated by purpose – instruction trips (function 122), extracurricular (function 213), and out-of-district public, parochial, private and charter school pass-thru (function 431) should be reported separately from everyday</p>		

Agreed-upon procedure	Sample size (if applicable)	Results of testing
<p>transportation which is reported in function 311.</p> <p>a. For entities that contract for transportation services, determine if invoices received from the vendor segregate trips and related costs into the four required areas. If yes, select one invoice and determine if the amounts recorded in the accounting system are coded consistent with the detail vendor invoice and UCOA instructions.</p> <p>b. For entities that operate their own transportation program, determine if data exists (trip logs etc. and cost information) to support costs allocated to the four function codes. Trace one posting in the accounting system to documentation supporting cost allocations to the four function codes.</p>		
<p>5. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:</p> <ul style="list-style-type: none"> ➤ Benefit costs are charged in the same manner as direct wages – e.g., to the same fund, subfund, function, or object and in the same proportion when allocated to more than one fund, subfund, function, or object. 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 		

Agreed-upon procedure	Sample size (if applicable)	Results of testing
<p>rates.</p> <ul style="list-style-type: none"> ➔ 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, function, or object and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.) ➔ Short-term substitute teachers wages are charged to Subject 0000 – General Education. <p>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 code or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA code. 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.</p>		
<p>6. When services for educational and special needs are supplied by sources outside the district, the tuition and other costs (transportation) are segregated under Function 431.</p>		

Agreed-upon procedure	Sample size (if applicable)	Results of testing
<p>Therapeutic services contracted from private or other public schools for in-district students are reported under Function 232.</p> <ul style="list-style-type: none"> ➔ Obtain a copy of RIDE's applicable Special Education Census Report (Reports No. 3, 6, and 10). These reports provide the distribution of full-time-equivalent (FTE) students with disabilities served, both in-district and out-of-district, for each district. If FTE's are reported for in-district and out-of-district students, verify charges are posted to Function 232 and Function 431, respectively. ➔ Select a sample of transactions posted to Function 431. Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified under Function 431. 		