

## REQUEST FOR PROPOSALS

NUMBER 25 -100

AUDIT SERVICES

**City of Pine Lake** IS ISSUING THIS REQUEST FOR PROPOSALS(RFP) FOR FURNISHING THE SERVICES DESCRIBED HEREIN.

Inquiries for Technical Information should be directed to:

***Ned Dagenhard, Asst. City Clerk, neddagenhard@pinelakega.net***

Inquiries for Procurement Information should be directed to:

***Ned Dagenhard, Asst. City Clerk, neddagenhard@pinelakega.net***

Please indicate your intent to submit a proposal by completing a Notification of Interest in accordance with the sample format shown in Attachment D of this Request for Proposals.

Return this Notification of Interest to the address listed below by (**Friday May 16, 2025 5pm**). Note that failure to return the ***Notification of Interest does not preclude prospective bidders from submitting a proposal within the specified time period.***

The purpose is to improve the efficiency of the proposal process and communicate timely information to interested parties on this RFP as well as future RFPs. Please return all proposals to the following via **email only**:

<b>Ned Dagenhard</b>	<b><i>neddagenhard@pinelakega.net</i></b>
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Completed proposals must be received at the address shown above by (**Friday May 23, 2025 5pm**). Proposals must be received by the date and time specified. Late proposals will be disqualified. In order to be considered for selection, auditors must submit a complete response to the RFP. Incomplete proposals may not be considered if the omissions are determined to be significant. Proposals must be submitted in three parts:

- (A) One (1) complete signed copy of the Request for Proposals (signatures are required below and at the end of Attachment B;
- (B) Technical Proposal
- (C) Cost Proposal.

The Cost Proposal must be submitted in a separate attachment to the email which specifies on its face the name of the auditing firm and the City of Pine Lake to be audited. The City of Pine Lake reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Any contract awarded will be awarded to the auditor, who, based upon evaluation of all proposals, is determined to have submitted the best proposal, considering both technical factors and cost.

In compliance with this request for proposals and to all the conditions imposed herein, the undersigned offers and agrees to furnish the services in accordance with the attached signed proposal.

Name and Address of Firm:

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FEI Number: \_\_\_\_\_

Telephone: \_\_\_\_\_

By: \_\_\_\_\_  
Please Print Name Here

\_\_\_\_\_  
Signature In Ink

Title: \_\_\_\_\_

Email address: \_\_\_\_\_

Date: \_\_\_\_\_

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I. **GENERAL INFORMATION**

A. PURPOSE

The purpose of this Request for Proposals is to establish a contract for the professional services of a Certified Public Accountant (the "auditor") for financial and compliance audits. The contract will be for three consecutive fiscal years beginning with the fiscal year ended **(December 2024)**, and ending with the fiscal year ended **(December 2026)**, subject to annual review and the annual availability of an appropriation for audit services by the City of Pine Lake.

B. ANTICIPATED SCHEDULE OF EVENTS

*The timetable for this RFP is presented below:*

<b><u>Activity</u></b>	<b><u>Target Date</u></b>
<b><i>Issue Request for Proposals</i></b>	<b><i>3/25/2025</i></b>
<b><i>Due Date for Notification of Interest</i></b>	<b><i>4/18/2025</i></b>
<b><i>Proposals due by</i></b>	<b><i>4/25/2025</i></b>
<b><i>Selection Recommendation(s)</i></b>	<b><i>5/2/2025</i></b>
<b><i>Approval and Award</i></b>	<b><i>5/15/2025</i></b>

## II. CITY OF PINE LAKE AND RECORDS INFORMATION

Information regarding City of Pine Lake records, systems, procedures, expenditure levels, and other relevant data is included as Attachment A to this Request for Proposals. If a proposer's conference is scheduled to answer questions of potential contractors, the date and location are specified in Section I, Part B of this RFP. Copies of prior audit reports, internal control survey documents, management letters, financial statements, budgets and other documents relevant to the audit engagement may be viewed by appointment by contacting the technical information coordinator listed on the cover page of this RFP.

## III. STATEMENT OF NEEDS

### A. AUDIT REQUIREMENTS

(If applicable) As required by the Official Code of Georgia Annotated, the audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, promulgated by the American Institute of Certified Public Accountants (AICPA) and (if applicable) in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

***(If Applicable) If a Single Audit is required as a part of the annual audit, the audit shall be performed in accordance with American Institute of Certified Public Accountants (AICPA) Standards, Government Auditing Standards, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F.***

## B. GROUP AUDITS

One of the audit standards generally accepted in the United States of America that will likely affect this audit is AU-C Section 600B – Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors). Some relevant items likely to have an impact on this audit are listed below.

1. It is effective for periods **ENDING on or after 12/15/2012**
2. Definition of “component” for purposes of this AU-C is “an entity or business activity for which group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements.”
3. Operational, organizational, and legal considerations need to be considered.
4. Indicators of a component:
  - a. Another auditor does part of the audit
  - b. Separate legal entity
  - c. Separate governance structure
  - d. Outsourced operations
  - e. Equity method investments
  - f. Additional considerations for a government:
    - i. Components need to be evaluated within each opinion unit
    - ii. Where there is another auditor or legally separate entity, these are automatically a component
    - iii. Pension or OPEB trust funds are likely components
    - iv. Departments within a major fund that are separately managed may also be components
  - g. Group engagement team must gain sufficient understanding of group, components, and environment to:
    - i. Identify & assess risks of material misstatements at group level
    - ii. Identify significant accounts and disclosures at group level
    - iii. Identify significant components

- iv. Determine timing and type of audit work to be done at significant and non-significant components
  - v. Determine nature, timing, and extent of work to be done at group level
5. Identify Significant Components
    - a. Based on individual financial significance
    - b. Use a benchmark and percentage (like calculating tolerable misstatement)
    - c. Also, if risk of material misstatement exists even if not individually financially significant
  6. Understand Component Auditor
    - a. Do they understand and will they comply with ethical requirements (including independence)
    - b. Professional competence
    - c. Extent to which the group engagement team will be able to be involved in the work of the component auditor
    - d. Will the group engagement team be able to obtain information affecting the consolidation process from the component auditor
    - e. Does the component auditor operate in an environment that actively oversees auditors
  7. If CU auditor refuses to do these procedures, the primary government will need the component unit management to provide information to the group auditor so they are able to evaluate subsequent events
    - a. Request written representation from CU management
    - b. Review interim financial statement budget to actual reports
    - c. Inquire of CU management
    - d. Read CU minutes
    - e. Other procedures
  8. Communication with Component Auditor (existing letter from the group auditor to component auditor will need to be expanded somewhat)
    - a. Confirm that they will cooperate
    - b. They will follow ethical requirements including independence
    - c. They will provide a list of related parties

- d. They will communicate to group auditor matters relevant such as findings, conclusion, opinion,
  - e. They will provide a list of passed Adjusting Journal Entries (AJE) so group auditor can assess effect at group level
9. Document all of these procedures
10. Communicate with those charged with governance (planning stage)
- a. Type of work to be done on components
  - b. Involvement of other auditors
  - c. Any limitations on access to information
  - d. Fraud or suspected fraud at component

### C. AUDIT OBJECTIVES

The audit shall be designed to accomplish the following objectives:

1. To determine whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and the respective changes in financial position and, where applicable, cash flows, thereof [and the respective budgetary comparison for the (indicate the major governmental funds involved)] in conformity with accounting principles generally accepted in the United States of America. In addition, to determine whether the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

(Note 1: AAG-SLG, par. 16.04 allows under certain circumstances the combining of the two aggregate opinion units – the one for the aggregate discretely presented component units and the one for the aggregate remaining fund information – into a single opinion unit. If this is desired reference to these terms should not be used. Instead, the term “aggregate discretely presented component unit and remaining fund information” should

be used.)

(Note 2: If the government desires an opinion on the basic financial statements and on the combining and individual fund financial statements presented as supplementary information, the last sentence above should be replaced with the following (modified as appropriate):

In addition, to determine whether the financial statements presented as supplementary information present fairly, in all material respects, the respective financial position of each of the government's nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds and the respective changes in financial position and cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America.

2. To obtain an understanding of the five components of internal control that is sufficient to assess the risks of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. Because an audit of a government's financial statements is based on opinion units, the auditor's consideration of internal control in assessing the risks of material misstatement should address each opinion unit. The auditor should obtain a sufficient understanding by performing risk assessment procedures to (a) evaluate the design of controls and (b) determine whether they have been implemented. The auditor should use such knowledge to identify types of potential misstatements; consider factors that affect the risks of material misstatement; and design tests of controls, when applicable, and subsequent procedures. In acquiring an understanding of and assessing internal control, the auditor should consider computer controls as well as the controls over manual portions of the system.
3. To plan and perform the audit to obtain reasonable assurance about whether the financial statements, including note disclosures, are free of material misstatement, whether caused

by error or fraud, and material misstatements arising from illegal acts that have a direct and material effect on the determination of financial statement amounts. Illegal acts are defined in auditing standards as violations of laws or governmental regulations. Although not explicitly stated in auditing standards, the phrase “laws and governmental regulations” generally has been interpreted to implicitly include the provisions of contract and grant agreements. U.S. Auditing Standards – AICPA (Clarified) AU-C Section 250 paragraph .14 requires the auditor to consider laws and regulations that are generally recognized by auditors to have a direct and material effect on the determination of financial statement amounts. The auditor’s responsibility to detect and report misstatements resulting from illegal acts having a direct and material effect on the determination of financial statement amounts is the same as that for misstatements caused by error or fraud. In addition, the auditor should be aware of the possibility that illegal acts that may, in particular circumstances, be regarded as having material but indirect effects on financial statements may have occurred. If specific information comes to the auditor’s attention that provides evidence concerning the existence of possible illegal acts that could have a material indirect effect on the financial statements, the auditor should apply audit procedures specifically directed to ascertaining whether an illegal act has occurred.

(Additional Requirement for Audits in Accordance with Government Audit Standards)

4. To provide reasonable assurance of detecting material misstatements that result from violations of provisions of contracts or grant agreements that could have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. If specific information comes to the auditor’s attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the financial statements, the auditor should apply audit procedures specifically directed to ascertaining whether such violations have occurred. If during the course of the audit, auditors become aware of abuse that could be quantitatively or qualitatively material to

the financial statements or other financial data significant to the audit objectives, the auditor should apply audit procedures specifically directed to ascertain the potential effect on the financial statements or other financial data significant to the audit objectives.

5. To evaluate whether the City of Pine Lake has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements or other financial data significant to the audit objectives. Auditors should use this information from previous engagements in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.
6. To ensure that audit documentation is prepared in sufficient detail to provide a clear understanding of the nature, timing, and extent of auditing procedures performed to comply with generally accepted government auditing standards and other applicable standards and requirements; the results of the audit procedures performed and the audit evidence obtained; the conclusions reached on significant matters; and that the accounting records agree or reconcile with the audited financial statements. Auditors should also document, before the audit report is issued, evidence of supervisory review of the work performed that supports findings, conclusions, and recommendations contained in the audit report.

***The Uniform Grant Guidance Subpart F, section 200.501 requires that “a non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.” Entities that expend less than \$750,000 in a fiscal year in federal awards are exempt from audit requirements in the UGG.)***

7. To determine whether the City of Pine Lake complied with laws, regulations, and the

provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on each major program. With regard to internal control over compliance, the auditor is required to do the following (in addition to meeting the requirements of Government Auditing Standards): (1) perform procedures to obtain an understanding of internal control over federal programs that is sufficient to plan the audit to support a low assessed level of control risk for major programs, (2) plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and (3) perform tests of internal control (unless the internal control is likely to be ineffective in preventing or detecting noncompliance).

***(For federal awards after December 26, 2014. Additional Requirements for Audit in Accordance with the Single Audit Act and UGG Subpart F.) The Single Audit Act and UGG Subpart F require nonfederal entities that expend \$750,000 or more of federal awards in a fiscal year to have a single audit. Entities that expend less than \$750,000 in a fiscal year in federal awards are exempt from audit requirements in the Single Audit Act and UGG Subpart F.)***

8. To determine whether the City of Pine Lake complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs. With regard to internal control over compliance, the auditor is required to do the following (in addition to meeting the requirements of Government Auditing Standards): (1) perform procedures to obtain an understanding of internal control over federal programs that is sufficient to plan the audit to support a low assessed level of control risk for major programs, (2) plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and (3) perform tests of internal control (unless the internal control is likely to be ineffective in preventing or detecting noncompliance).

(Additional Requirements for Audits Conducted in Accordance with the Official Code of Georgia Annotated)

***(Regional Commissions should add the following, if applicable)***

9. To verify and test the Schedule of Nonpublic Funds, including the beginning balance of unexpended nonpublic funds, receipts and expenditures of nonpublic funds, and the ending balance of nonpublic funds for each fiscal year, sufficient to express an opinion in accordance with generally accepted government auditing standards as required by the Official Code of Georgia Annotated, Section 50-8-35(f)(2).
10. To verify and test expenditures of the government's Special Purpose Local Option Sales Tax proceeds. In accordance with the Official Code of Georgia Annotated, Section 48-8-121, a schedule shall be included in each annual audit which shows for each project in the resolution or ordinance calling for imposition of the Special Purpose Local Option Sales Tax the original estimated cost, the current estimated cost if it is not the original estimated cost, amounts expended in prior years, and amounts expended in the current year. The auditor shall verify and test expenditures sufficient to provide assurance that the schedule is fairly presented in relation to the financial statements. The auditor's report on the financial statements shall include an opinion, or disclaimer of opinion, as to whether the schedule is presented fairly in all material respects in relation to the financial statements taken as a whole.
11. To verify and test expenditures of the government's Special District Mass Transportation Sales and Use Tax proceeds. In accordance with the Official Code of Georgia Annotated, Section 48-8-269.5, a schedule shall be included in each annual audit which shows for each project in the resolution or ordinance calling for imposition of the Special District Mass Transportation Sales and Use Tax the original estimated cost, the current estimated cost if it is not the original estimated cost, amounts expended in prior years,

and amounts expended in the current year. The auditor shall verify and test expenditures sufficient to provide assurance that the schedule is fairly presented in relation to the financial statements. The auditor's report on the financial statements shall include an opinion, or disclaimer of opinion, as to whether the schedule is presented fairly in all material respects in relation to the financial statements taken as a whole.

12. For counties and municipalities levying and collecting a hotel/motel tax in accordance with the provisions of O.C.G.A. §48-13-51, the determination as to whether a county or municipality has complied with the expenditure requirements of this Code section should be prominently reflected in the audit required under Code section 36-81-7 and shall disclose (i) the amount of funds expended or contractually committed for expenditure as provided within the Code section during the fiscal year; and (ii) the amount of tax receipts under this Code section during such fiscal year, and (iii) expenditures as a percentage of tax receipts. A county or municipality contractually expending funds to meet the expenditure requirements of this Code section shall require the contracting party to provide audit verification that the contracting party makes use of such funds in conformity with the requirements of the Code section.
  
13. To verify and test expenditures of the government's proceeds from the Governor's emergency fund or a special project appropriation in accordance with the Official Code of Georgia Annotated, Section 36-81-8.1. A properly completed grant certification form shall be filed on each grant with the annual audit report for each year in which such grant funds are expended or remain unexpended. If required under this Code section, the auditor shall certify that the grant funds were used solely for the express purpose or purposes for which the grant was made. The Georgia Department of Audits and Accounts can assist with the identification of grants subject to these reporting requirements and has a Grant Certification package available containing instructions and example formats.

#### D. REPORTING AND DELIVERY REQUIREMENTS

The auditor will prepare the required audit reports **(If Applicable)** including those required by Government Auditing Standards and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F and **(If Applicable)** the Official Code of Georgia Annotated at the completion of the audit.

(Select for Audit in Accordance with Generally Accepted Auditing Standards)

1. Standard report on the financial statements.
  - a. Reference should be made that the audit was conducted in accordance with generally accepted government auditing standards. In the same or in separate report(s), the auditor should include a description of the scope of the auditor's testing of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. Auditor should state in the report whether the tests performed provided sufficient, appropriate evidence to support an opinion on the effectiveness of internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements. When the auditor reports separately (including separate reports bound in the same document) on internal control over financial reporting and on compliance with laws and regulations and provisions of contracts or grant agreements, they should state in the financial statement audit report that they are issuing those additional reports. The auditor's report on the financial statements should include an opinion, or disclaimer of opinion, as to whether the Schedules of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds and Special District Mass Transportation Sales and Use Tax Proceeds are presented fairly in all material respects in relation to the financial statements taken as a whole. (Note that if the Schedules are issued separately from the audited financial statements, the language above should be modified to refer to the

auditor's report on SPLOST and TSPLOST prepared in accordance with the U.S. Auditing Standards – AICPA (Clarified) AU-C Section 725).

- b. Report on Internal Controls. Control deficiencies identified during the audit that upon evaluation are considered significant deficiencies or material weaknesses under U.S. Auditing Standards – AICPA (Clarified) AU-C Section 265 paragraph .12 must be communicated in writing to management and those charged with governance as a part of each audit, including significant deficiencies and material weaknesses that were communicated to management and those charged with governance in previous audits, and have not yet been remediated.

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. The report should include a description of the scope of the auditor's testing of internal control over financial reporting and compliance with provisions of laws, regulations, contracts or grant agreements. The auditor should report, as applicable to the objectives of the audit, and based upon the audit work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws and regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; and (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; (4) abuse that has a material effect on the audit.

- c. This report should include an opinion (or disclaimer of opinion) on whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program, and where applicable, refer to the separate schedule of findings and questioned costs. The report on internal control related to major programs should describe the scope of testing of internal control and the results of the tests and, where applicable, refer to the separate schedule of findings and questioned costs.

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With UGG Subpart F.

This report should include an opinion (or disclaimer of opinion) on whether the auditee complied with Federal statutes, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on each major program, and where applicable, refer to the separate schedule of findings and questioned costs. The report on internal control related to major programs should describe the scope of testing of internal control and compliance and the results of the tests and, where applicable, refer to the separate schedule of findings and questioned costs.

- d. In accordance with UGG Subpart F Section 200.515(a), the auditor's report(s) may be in the form of either combined or separate reports. The auditor's report(s) shall include an opinion (or disclaimer of opinion) on whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion (or a disclaimer of opinion) on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole. Auditors should follow the guidance contained in the American Institute of Certified Public Accountants' Audit Guide: Government Auditing Standards.
- e. In accordance with UGG Subpart F Section 200.515(d), a schedule of findings and questioned costs is required and should include the following three sections: (1) a summary of the auditor's results; (2) findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards; and (3) findings and questioned costs for federal awards.
- g. Report on the Schedule of Special Purpose Local Option Sales Tax (if Schedule is

issued separately from financial statements).

**h.** Report on the Schedule of Special District Mass Transportation Sales and Use Tax Proceeds if Schedule is issued separately from financial statements).

i. Report on State of Georgia Grant Certification Form(s).

2. Ten (10) printed copies and one electronic copy in an agreed upon format of each of the above reports are required.
3. A written management letter should be used to communicate violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but warrant the attention of those charged with governance; the management letter should also communicate information about ways to improve operational efficiency and effectiveness or otherwise improve internal control or other policies or procedures (other than those for which communication is required by generally accepted auditing standards or *Government Auditing Standards*). If the management letter contains items required to be communicated to officials by auditing standards, the auditor should refer to the management letter in the 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*. ***It is important to note that the schedule of findings and questioned costs should include all audit findings required to be reported under UGG Subpart F Section 200.515(d); a separate communication (such as a management letter) may not be used to communicate such matters.***
4. The auditor may (or must) offer recommendations for appropriate corrective action for each item reported in accordance with U.S. Auditing Standards – AICPA (Clarified) AU-C Section 265 paragraph .11; or included in the 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 or in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In accordance with UGG Subpart F Section 200.515(a); or contained in the management letter.

5. Any other reports required shall be submitted to the City of Pine Lake upon request.
6. A preliminary draft of all reports shall be submitted to the City of Pine Lake prior to their release. The City of Pine Lake will review and approve the release of all draft reports. Draft reports should be submitted to **(Danny Lamonte, Finance Director, 425 Alligood Road Stone Mountain, GA, and dlamonte@municipalcentral.com**
7. The auditor shall send copies of the reports listed above directly to:  
**(Danny Lamonte, Finance Director, 425 Alligood Road Stone Mountain, GA and dlamonte@municipalcentral.com**

#### **IV. PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS**

##### **A. GENERAL PROPOSAL PREPARATION REQUIREMENTS**

1. Proposal Preparation
  - a. Proposals shall be signed by an authorized representative of the auditor. All information requested must be submitted. The mandatory requirements listed in Part IV, Section B, Paragraph 1b are required by law, regulation or will not be waived and are not subject to negotiation.
  - b. Proposals shall be prepared simply and economically, providing a straightforward, concise description of capabilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.

c. N/A

d. Ownership of all data, materials and documentation prepared for and submitted to the City of Pine Lake in response to the RFP shall belong exclusively to the City of Pine Lake and will be considered a record prepared and maintained or received in the course of operations of a public office or agency and subject to public inspection in accordance with the Georgia Open Records Act, Official Code of Georgia Annotated, Section 50-18-70, et. seq., unless otherwise provided by law.

2. Oral presentation: Auditors who submit a proposal in response to the RFP may be required to give an oral presentation of their proposal to the City of Pine Lake representatives. This provides an opportunity for the auditor to clarify or elaborate on the proposal. This is a fact finding and explanation session only and does not contemplate or authorize negotiation. Oral presentation is an option of the City of Pine Lake in its sole discretion at the City of Pine Lake's request.
3. Costs incurred to prepare a proposal are solely those of the proposer. Nothing contained within this RFP is indicative of an intent by the City of Pine Lake to reimburse the proposer, in whole or in part, for any costs associated with preparation, submission, or presentation of proposals.

## **B. SPECIFIC PROPOSAL PREPARATION REQUIREMENTS**

Proposals shall be as thorough and detailed as possible so that the City of Pine Lake may properly evaluate the auditor's capabilities to provide the required services. Proposals should be organized in accordance with Attachment C: Model Format of Proposal. Offerors shall submit the following items as a complete proposal:

1. COMPLETE, SIGNED COPY OF THE REQUEST FOR PROPOSALS
  - a. The return of this complete RFP, signed and completed as required.
  - b. The completed Mandatory Pre-Qualification Form, Attachment B. The purpose of the

Mandatory Pre-Qualification Form is to determine if the auditor meets the following mandatory criteria:

- i. The proposer is properly licensed for public practice as a certified public accountant.
- ii. The proposer meets the independence requirements of the Government Auditing Standards issued by the Comptroller General of the United States.
- iii. The auditor's staff working on or associated with the engagement must meet the continuing education requirements of the Government Auditing Standards. The auditor does not have a record of substandard audit work.
- iv. The proposer agrees to abide by the terms and conditions established in Section VI, General Terms and Conditions and Section VII, Special Terms and Conditions.

Failure to meet the mandatory criteria will result in immediate rejection of the entire proposal and no evaluation of the remainder of the technical component or of the cost proposal will be made.

## 2. TECHNICAL COMPONENT OF PROPOSAL

- a. Detailed written narrative statements on each of the following:
  - i. A description of the auditor's firm rendering the proposal, including whether the firm is international, national, regional, or local; the number of years in business; and the number of employees in the local office.
  - ii. Experience in providing the services described herein, including relevant knowledge of and experience in applying applicable federal and state regulations.
  - iii. Biographies, including experience of the individuals who will be assigned to the engagement, relevant experience of each in performing financial and compliance audits of entities similar to the City of Pine Lake, and recent (past 24 months) continuing professional education of each individual assigned to the engagement. Include a positive statement that these individuals have met the required continuing professional education standards to be qualified to work on audits

under *Government Auditing Standards*.

- iv. A work plan to accomplish the scope defined in Section III of the RFP, including information on the timing of field work, and any overview and start up work that would be required in the first audit year. Include the approximate date the audit will begin and end for the first year, as well as approximate dates for delivery of the required reports. The work plan must include time estimates for and identification of each significant segment of the work and the staff level to be assigned. The work plan must also include an explanation of the audit methodology to be followed to perform the services required in this request for proposals. The planned use of specialists must also be specified. In developing the work plan, reference should be made to such sources as the City of Pine Lake's budget and related materials, organizational charts, programs, and financial and other management information systems. Proposers will be required to provide the following information on their audit approach:
- Sampling techniques and the extent to which statistical sampling may be used in the engagement;
  - Extent of the use of EDP software in the engagement;
  - Type and extent of analytical procedures that may be used in the engagement;
  - Approach to be taken to gain and document an understanding of the City of Pine Lake's internal control;
  - Approach to be taken in determining laws and regulations that will be subject to audit test work; and
  - Approach to be taken in drawing audit samples for purposes of tests of compliance.
    - The proposal should identify and describe anticipated audit problems (if any), the firm's approach to resolving these problems, and any special assistance that will be requested from the City of Pine Lake.
    - For the firm's office that would be assigned responsibility for the audit, list the most significant audit engagements (maximum of five) performed in the last three (3) years that are similar to the engagement described in this

request for proposals. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partner(s), total hours, and the name, telephone number, and email address of the client contact.

- There should be no dollar units or total costs included in the technical component of the proposal.

### 3. COST COMPONENT OF PROPOSAL

For use following the technical phase of the procurement, the following information must be included. Total hours required to complete the engagement for each year by personnel levels (i.e., total hours for partner, manager, supervisor, senior and junior).

- a. Total fees for audit services for each year.
- b. An amount of professional services, in hours, allowed each year without additional cost to the City of Pine Lake. Such services will not be directly related to the annual audit.

A separate cost proposal is required for each year of the contract period specified in Section VII, Part E of this Request for Proposals.

Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the City of Pine Lake for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented in the sealed dollar cost bid in the format recommended in Attachment C. All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm. By submitting a proposal, the proposer certifies that the firm will accept reimbursement for travel, lodging and subsistence at the prevailing rates for employees of the City of Pine Lake.

## V. EVALUATION AND AWARD CRITERIA

The following factors will be considered during the evaluation:

#### A. TECHNICAL FACTORS

1. Responsiveness of the proposal in clearly stating an understanding of the work to be performed, including making all required statements and affirmations. Proposals should be organized in accordance with Attachment C: Model Format of Proposal.

The following elements will be considered:

- a. Appropriateness and adequacy of proposed procedures.
  - b. Necessity of procedures.
  - c. Reasonableness of time estimates.
  - d. Appropriateness of assigned staff levels.
  - e. Timeliness of projected completion.
2. Technical experience of the firm.
  3. Qualifications of staff, including recent pertinent continuing education.
  4. Size and structure of the firm.
  5. Prior experience with the firm with emphasis on report and work paper quality and track record of meeting agreed upon delivery dates.

#### B. COST FACTORS

Although cost is a significant factor, it will not be the dominant factor. Cost will be given more importance when all the other evaluation criteria are relatively equal. The general approach is to first identify all qualified, responsive proposers and then to award the audit to the lowest cost proposer in that group.

If there is reason to believe that an unreasonably low proposal has been made, it will be rejected. One method of measuring reasonableness is to divide the proposed cost by a reasonable average hourly rate to show hours of effort that might be expected.

Any proposal which does not include all the required statements and affirmations called for in this RFP will be automatically rejected as not being responsive.

**VI. GENERAL TERMS AND CONDITIONS**

A form of Agreement for Audit Services to be executed between the auditor and the City of Pine Lake is included herein as Attachment E. Sections VI and VII contain general and special terms and conditions which will be incorporated into the Agreement by reference.

**A. APPLICABLE LAW AND COURTS**

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Georgia. The auditor shall comply with applicable federal, state, and local laws and regulations.

**B. ETHICS IN PUBLIC CONTRACTING**

By submitting their proposals, all auditors certify that their proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other auditor, supplier, manufacturer or subcontractor in connection with their proposals, and that they have not conferred on any City of Pine Lake employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged. Auditors specifically certify by submitting their proposal that they are not in violation of the Official Code of Georgia Annotated, Sections 16-10-2 and 16-10-22, for acts of bribery and/or conspiracy in restraint of free and open competition in transactions with state or political subdivisions. Auditors contracting with the State of Georgia (as defined in the Official Code of Georgia Annotated, Section 45-10-20) further certify that Official Code of Georgia Annotated, Title 45, Chapter 10, Article 2, which prohibits certain public officials and employees of the State of Georgia from transacting business with certain state agencies, has not been and will not be violated in any respect by execution of this proposal and any contract resulting therefrom.

O.C.G.A. §50-36-4 requires political subdivisions of the Sate of Georgia to file an Annual

Immigration Compliance Report with the Department of Audits and Accounts by December 31 of each year. As a condition of funding, agencies should require certification pursuant to O.C.G.A. §50-36-4 as proof of compliance.

C. DEBARMENT STATUS

By submitting their proposals, all auditors certify that they are not currently debarred from submitting bids or proposals on contracts by any agency of the State of Georgia or the federal government, nor are they an agent of any person or entity that is currently debarred from submitting bids on contracts by any agency of the State of Georgia or the federal government.

D. MANDATORY USE OF TERMS AND CONDITIONS

Return of the complete document is required. Modification of or additions to the General Terms and Conditions of the solicitation may be cause for rejection of the proposal; however, the City of Pine Lake reserves the right to decide, on a case by case basis, in its sole discretion, whether or not to reject such a proposal.

E. CLARIFICATION OF TERMS

If any prospective auditor has questions about the specifications or other solicitation documents, the prospective proposer should contact the procurement information coordinator whose name appears on the face of the solicitation ***no later than five working days before the due date***. Any revisions to the solicitation will be made only by addendum issued by the City of Pine Lake.

F. INVOICES

All interim and final invoices for services ordered, delivered and accepted shall be submitted by the auditor to: ***Danny Lamonte (dlamonte@municipalcentral.com)*** for approval prior to payment by the City of Pine Lake.

G. PAYMENT TERMS

The City of Pine Lake will make payment ***within 30 days of*** receipt of a proper invoice for

interim and final billings, provided that the billing has been approved by the City of Pine Lake.

**H. ASSIGNMENT OF CONTRACT**

A contract shall not be assignable by the auditor in whole or in part without the written consent of the City of Pine Lake.

**I. CHANGES TO THE CONTRACT**

The City of Pine Lake may order changes within the general scope of the contract at any time by written notice to the auditor. Changes within the scope of the contract include, but are not limited to, things such as the place of delivery. The auditor shall comply with the notice upon receipt. The auditor shall be compensated for any additional costs incurred as the result of such order and shall give the City of Pine Lake a credit for any savings. Said compensation shall be determined by mutual agreement between the City of Pine Lake and the auditor in writing.

**J. DEFAULT**

In case of failure to deliver goods or services in accordance with the contract terms and conditions, the City of Pine Lake, after due notice, may procure them from other sources and hold the auditor responsible for any resulting additional purchase and administrative costs. This remedy shall be in addition to any other remedies which the City of Pine Lake may have.

**K. PRECEDENCE OF TERMS**

Paragraphs A through J of these General Terms and Conditions shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.

**VII. SPECIAL TERMS AND CONDITIONS**

A. QUALIFICATIONS OF AUDITORS

The City of Pine Lake may make such reasonable investigations as deemed proper and necessary to determine the ability of the auditor to perform the work and the auditor shall furnish to the City of Pine Lake all such information and data for this purpose as may be requested. The City of Pine Lake further reserves the right to reject any bid if the evidence submitted by, or investigations of, such auditor fails to satisfy the City of Pine Lake that such auditor is properly qualified to carry out the obligations of the contract and to complete the work/furnish the item(s) contemplated therein.

B. CANCELLATION OF CONTRACT

The City of Pine Lake reserves the right to cancel and terminate any resulting contract, in part or in whole, without penalty, ***upon 60 days written notice to the auditor.*** Any contract cancellation notice shall not relieve the auditor of the obligation to deliver and/or perform on all outstanding orders issued prior to the effective date of cancellation. In the event of termination by mutual agreement, the auditor shall be compensated for all hours worked at the specified contractual rate.

If, through any cause other than acts of god, floods, fires, storms, strikes, lockouts, riot, insurrection, acts of the public enemy, war, or other like restrictions beyond the control of the parties rendering performance under the contract impossible, the auditor fails to fulfill in a timely and proper manner obligations under the contract, the City of Pine Lake shall have the right to terminate the contract on written notice to the auditor specifying the effective date of termination.

The auditor shall not be relieved of liability to the governmental entity for damages sustained by virtue of any breach of the contract by the auditor. The City of Pine Lake may withhold or require to be withheld any payment to the auditor for the purpose of setoff until such time as the exact amount of damages is agreed upon or is otherwise determined.

In the event of termination, for whatever reason, all property and finished or unfinished documents, data, studies, and reports prepared by the auditor shall become the property of the City of Pine Lake. Nothing contained herein shall prevent the auditor from preparing and maintaining a complete set of workpapers relating to the audit.

#### C. AUDIT

The auditor hereby agrees to retain all books, records, working papers, and other documents relative to this contract for **five (5) years** after final payment. The auditor further acknowledges that the AICPA's Statement on Auditing Standards No. 103 requires the auditor to adopt reasonable procedures to retain and access audit documentation for a period of time sufficient to meet the needs of his or her practice and to satisfy any applicable legal or regulatory requirements for records retention. Such retention period, however, should not be shorter than five years from the report release date. The City of Pine Lake, its authorized agents, and federal and state regulatory and grantor agencies, including the Georgia Department of Audits and Accounts, shall have full access to and the right to examine any of said materials during said period at no cost to either the City of Pine Lake or any other entity authorized to examine said materials.

#### D. REVIEW AND MONITORING

The City of Pine Lake reserves the right to conduct any review it may deem advisable to assure services conform to the specifications. An employee of the City of Pine Lake will be designated as audit monitor to discuss issues that need to be resolved and may require periodic progress reports. The monitor will review the financial statements and may provide limited assistance to the auditor by way of comments and suggestions for enhancements to the report prior to its preparation in final form. The monitor will also be available for technical assistance concerning the interpretation of state laws, regulations and policies.

#### E. CONTRACT PERIOD

The contract period shall be for a period of **three years beginning with the fiscal year**

***ended (December 2024) through the fiscal year ended (December 2026) subject to annual review and the annual availability of an appropriation for audit services by the City of Pine Lake.***

**F. CONTRACT LIMITATIONS**

During the contract period, the auditor agrees not to submit proposals on or perform any accounting, consulting, compilation and review, or any other services outside the scope of this contract for the City of Pine Lake without the prior written approval of the City of Pine Lake.

**G. ADDITIONAL AUDIT WORK**

In the event during the course of the audit it is determined by any party a change in the scope of the audit work is necessary, the discovering party shall promptly notify the other parties in writing. The parties shall then determine whether the contract shall be amended to provide for an adjustment in the audit work to be performed by the auditor. In no event shall any payment be made for audit work beyond the scope of the original contract until the contract has been amended as provided in Section VII, Item M, Integrated Agreement.

**H. IDENTIFICATION OF PROPOSAL ENVELOPE**

N/A. All proposals should be emailed to [dlamonte@municipalcentral.com](mailto:dlamonte@municipalcentral.com).

**I. INDEMNIFICATION**

The auditor agrees to indemnify, defend and hold harmless the City of Pine Lake, its officers, agents, and employees from any claims, damages and actions of any kind or nature, whether at law or in equity, arising from or caused by the

use of any materials, goods, or equipment of any kind or nature furnished by the auditor/any services of any kind or nature furnished by the auditor, provided that such liability is not attributable to the sole negligence of any City of Pine Lake employee or to failure of City of Pine Lake employees to use the materials, goods, or equipment in the manner described by the auditor on the materials, goods, or equipment delivered.

**J. SUBCONTRACTS**

No portion of the work shall be subcontracted without prior written consent of the City of Pine Lake. In the event that the auditor desires to subcontract some part of the work specified herein, the auditor shall furnish the City of Pine Lake the name(s), qualifications and experience of their proposed subcontractor(s). The auditor shall, however, remain fully liable and responsible for the work/service to be performed by his/her subcontractor(s) and shall assure compliance with all requirements of the contract.

**K. PROPRIETARY INFORMATION**

The City of Pine Lake will not accept responses to Requests for Proposals in cases where the auditor declares the entire response to the RFP to be proprietary information. The auditor must designate in the smallest increments possible, that part of the proposal which is deemed to be proprietary.

**L. OFFICE HOURS/LOCATION/PARKING**

Office space will be provided for the representative of the auditor to perform all field work. The location of this space will be as close as possible to the location of the accounting records and accounting staff. To the extent possible, schedules and other data will be prepared by the City of Pine Lake's accounting department. It is the City of Pine Lake's policy to aid in the audit process where deemed feasible and appropriate to help reduce costs. The audit monitor designated by the City of Pine Lake will be responsible for notifying the contractor of the location of the accounting and financial records, City of Pine Lake office hours, and the availability of parking at the City of Pine Lake

location.

#### M. INTEGRATED AGREEMENT

Any resulting contract represents the entire and integrated agreement between the auditor and City of Pine Lake and supersedes all prior negotiations, representations, or agreements, whether written or oral. The contract may only be amended by written agreement of the auditor and the City of Pine Lake.

Engagement Letter – As discussed in the AICPA Audit Guide “Audits of Local Governments” Section 202 Establishing Terms of the Engagement - both GAAS and the Yellow Book require the auditor to establish a written understanding with the client about the services to be performed for each engagement. The auditor and client ought to have a clear understanding about certain matters normally found in engagement letters, related to such matters as the need for receiving written management representations, any agreed-upon client assistance, and limitations on the responsibility for the detection of fraud and defalcations. One of the preconditions for an audit is to obtain the agreement of management that they acknowledge and understand their responsibilities. That agreement generally is obtained through the use of an engagement letter. The auditor will submit a draft engagement letter that, if accepted by the auditee, will be incorporated into the contract with the auditor – see Attachment F: Sample Engagement Letter.

#### N. WORKERS' COMPENSATION

The auditor shall be required at all times during the term of this agreement to subscribe and comply with the Workers' Compensation laws of the State of Georgia and to save harmless the City of Pine Lake from any and all liability from or under said act.

#### O. SOCIAL SECURITY/EMPLOYMENT TAXES

The auditor shall be and remain an independent contractor with respect to all services performed hereunder and shall accept full exclusive liability for the

payments of any and all contributions or taxes for social security, unemployment benefits, pensions, and annuities now or hereafter imposed under any state or federal laws which are measured by the wages, salaries, or other remuneration paid to persons employed by the auditor on work performed under the terms of this agreement.

The auditor further shall obey or satisfy all lawful rules, regulations, and requirements issued or promulgated under said respective laws by any duly authorized state or federal officials. The auditor shall indemnify and save harmless the City of Pine Lake from any contributions, taxes, or liability referred to in this article.

**P. HIGHER LEVEL AUDIT SERVICES**

If the auditor becomes aware that the City of Pine Lake is subject to audit requirements that may not be encompassed in the terms of the contract, he or she shall communicate this situation immediately to the City of Pine Lake's audit monitor, that in accordance with the established contract certain relevant legal, regulatory, or contractual requirements may not be met.

**Q. CHANGES IN AUDITING STANDARDS/FEDERAL REQUIREMENTS**

As professional auditing standards or federal auditing requirements change, the auditor shall adjust his/her auditing techniques and reporting formats and criteria so the new standards and requirements are met. Any additional hours used by the auditor as a result of such changes that would cause the auditor to exceed the proposed hours as submitted in the Cost Proposal shall be treated as provided by Section VII, Item G, Additional Audit Work and Section VII, Item M, Integrated Agreement.

**R. RATES FOR ADDITIONAL PROFESSIONAL SERVICES**

If it should become necessary for the City of Pine Lake to request the auditor to render any additional services to either supplement the services requested in this request for proposals 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 the City of Pine Lake and the firm. Any such additional work agreed to between the City of Pine Lake and the firm shall be performed at the same rates as set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

**S. COMPLIANCE WITH STATE VENDOR MANUAL**

N/A

**T. DRUG FREE WORKPLACE**

Auditors contracting with the State of Georgia (or entities thereof as defined in the Act) further certify that they will comply with the Drug-Free Workplace Act, Official Code of Georgia Annotated, Section 50-24-1 et. seq. in carrying out any contract resulting from this proposal.

## **ATTACHMENT A: CITY OF PINE LAKE AND RECORDS INFORMATION**

- 1. Provide general information such as the type of government, population, and budget size. Identify the component units included in the reporting entity, their size, their auditors and their fiscal year operating period. Indicate when their financial statements and auditor's reports (if covered separately) will be available.**
- 2. Specify the number and type of funds and the basis of accounting used during the year and at year's end. Identify which funds are "major funds" based on the GASB Codification Section 2200 paragraph 159 criteria. Specify differences in accounting among funds to be audited. Clearly identify whether the auditor will report on the basic financial statements with accompanying required supplementary information or, in addition to these statements, report on the combining and individual nonmajor fund financial statements and schedules. Also identify whether the budgetary comparison for the general fund and each major special revenue fund will be reported as a basic financial statement or as required supplementary information.**
- 3. Describe budget records, and state whether estimated revenues, appropriations, and encumbrances are recorded in the accounting records. Indicate the magnitude of the financial activity, including the number and location of deposit and investment accounts, number of receivable accounts, number of employees and payroll listings.**
- 4. Describe systems, records, and procedures:**
  - a. Note any available manuals, written policies, and procedures covering such items as cash, receivables, capital assets, and liabilities.**
  - b. Identify the major segments of the accounting records that are computerized and the availability of related system documentation. Also, identify hardware, operating system, and software packages.**
  - c. Describe internal audit program, staff size, and extent of internal**

*audit coverage.*

- d. Identify individuals responsible for maintaining records and preparing reports.*
  - e. Identify known problems related to the accounting system, internal control, or other problems. State any known exceptions to generally accepted accounting principles or any other accounting problems.*
  - f. If records cannot be made available for inspection during the proposal process, describe the condition and completeness of the records the auditor should assume in his or her proposal.*
- 5. State whether copies of the prior year's audit reports, management letters, financial statements and budget are available.*
  - 6. Describe sub-recipient entities and related records to be audited.*
  - 7. Give the name of the auditor who performed the most recent audit, the period covered, report date, and type of opinion. State whether previous audit working papers are available for inspection and where they are located. If the audit opinion was modified, state whether the condition causing the modification has been corrected.*
  - 8. State the names of staff available to assist the proposer by providing information and explanations.*
    - a. State whether the accounting staff can prepare schedules, reproduce documents, pull documents, etc.*
    - b. State whether any internal auditing time is available and whether internal audit reports are available.*
    - c. State whether the data processing staff, equipment, and generalized user software are available for auditing purposes, and specify the make and model of the computer to be used and what type of operating system is used.*
    - d. State whether legal counsel is available.*
  - 9. State the names and titles of officials who will issue representation letters for inventory evaluations, pledged assets, contingent liabilities, potential litigation, etc., if required.*

- 10. State whether interfund and interdepartmental reconciliations have been made.**
- 11. State the location of available work areas and equipment and its location in relation to the records.**
- 12. Give the place, date, and time of the proposers' conference, if conducted. (Advisable for large audits to save the requester's time answering individual questions about the RFP and also to guarantee equal treatment to each proposer. Immediately following the proposers' conference, the proposers can be shown the accounting and other applicable records.)**
- 13. State whether proposers' conference questions will be responded to in writing and whether the RFP will be amended if necessary.**
- 14. Identify the federal cognizant or oversight agency for audit responsibilities and the name and address of the contact person. To determine agency, refer to the criteria in accordance with UGG Subpart F Section 200.513.)**
- 15. The following dates should be specified to the extent applicable. The RFP should state that the dates are firm unless waived in writing by an authorized person.**
  - a. Date of the proposer's conference (see 12 above for more specific information).**
  - b. Date and time of proposal submission. The preparation of audit proposals is an expensive, time-consuming process for the proposer; therefore, a reasonable time must be allowed (at least three weeks to a month).**
  - c. Date, time, and place for selected proposer interviews, if desirable.**
  - d. Date of contract award.**
  - e. Dates audit work can be commenced:**
    - i. Preliminary work prior to closing accounts.**
    - ii. Postclosing work. (Some government entities may not want auditors working during closing.)**
    - iii. The frequency of progress reporting conferences and with whom**

*and where the conferences will be held should be stated, if applicable.*

- f. Date for preliminary report completion and exit conference.*
- g. Date for final report submission. The audit report normally should be submitted as soon as possible after the audit exit conference. The Single audit reporting package (and the data collection form) must be submitted by the auditee within the earlier of 30 days after the receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Local government audit reports are due within six months after the end of the local government's fiscal year unless an extension is granted by the Georgia Department of Audits and Accounts.*

**ATTACHMENT B: MANDATORY PRE-QUALIFICATION FORM**

To be answered by Contractor

Section A - General Information

1. Firm Name: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

Email address: \_\_\_\_\_

2. Address: \_\_\_\_\_

\_\_\_\_\_

3. Firm FEI Number: \_\_\_\_\_

4. Firm's Georgia CPA State License Registration Number: \_\_\_\_\_

5. Type of Accounting Practice (place an "X" next to the appropriate response)

- a. \_\_\_\_\_ Individual
- b. \_\_\_\_\_ Partnership
- c. \_\_\_\_\_ Corporation - Give name of the State where incorporated:  
\_\_\_\_\_

Section B - Contractor Firm's Quality Program For Audits

Please answer each of the following questions by placing an "X" in the proper column at the right.

CHECK ONE

YES      NO

- 1. Quality Control: Does the Contractor Firm have internal procedures to ensure proper quality control for its governmental audit assignments?  
(If yes, ATTACH A DESCRIPTION OF THE PROCESS)      \_\_\_\_\_
  
- 2. Quality Review: Does Contractor Firm participate in an External Quality review program every 3 years? (If yes, ATTACH A COPY OF LAST PEER REVIEW OR QUALITY REVIEW REPORT AND LETTER OF COMMENT.)      \_\_\_\_\_

CHECK ONE

YES      NO

PLEASE ENTER ENDING DATE OF LAST PERIOD COVERED BY REVIEW \_\_\_\_\_)

If no, explain the reason and your plan to participate. \_\_\_\_\_

- 3. Professional Membership: Do the partners of the Contractor Firm belong to either the AICPA or the Georgia Society of CPAs? If so, please provide membership number. \_\_\_\_\_
  
- 4. Proper License: Is Contractor Firm properly licensed to practice public accounting in Georgia? If so, please provide license number. \_\_\_\_\_
  
- 5. Special Governmental Audit Requirements: Is Contractor Firm familiar with the AICPA's Code of Professional Conduct ET Section 1.400.055 – “Governmental Audits”? (According to this section, if a CPA agrees to follow specified standards, guides, rules and procedures in addition to GAAS, then the CPA is OBLIGATED to follow all such requirements.) \_\_\_\_\_
  
- 6. Subcontracts: Does Contractor Firm agree not to subcontract any work required without the prior express written consent of the auditee? \_\_\_\_\_
  
- 7. Federal Audit Laws and Rules: If federal audit work is required, does Contractor Firm agree to perform the audit work in accordance with the Single Audit Act Amendments of 1996, **UGG Subpart F**, and AICPA Audit Guide “*Government Auditing Standards* as necessary? \_\_\_\_\_

CHECK ONE

YES      NO

8. Confidentiality: Does Contractor Firm agree not to publish or distribute any information concerning work done for auditee, except as provided by law or rule? \_\_\_\_\_
9. Access to Records and Workpapers: Does Contractor Firm agree to keep workpapers and reasonable records to support work claims for at least **5 years** and make them available for audit or review by any authorized parties? \_\_\_\_\_
10. Other Federal and State Laws and Rules: Does Contractor Firm agree to comply with all other Federal and State laws, rules and regulations which pertain to this engagement? \_\_\_\_\_
11. Independence: Does Contractor Firm meet the independence standards of the current "Government Auditing Standards", issued by the Comptroller General of the United States?  
(If "No", attach a brief summary of facts.) \_\_\_\_\_
12. Continuing Education: Does Contractor Firm have sufficient staff who meet continuing professional education requirements for government audits as set forth in "Government Auditing Standards"? \_\_\_\_\_
13. Conflict of Interest: Does Contractor Firm declare that there is no public or private interest which would conflict in any manner with performance of an audit for the auditee or would violate any laws of the State of Georgia? \_\_\_\_\_
14. No Substandard Work: Do Contractor Firm and all proposed Audit Team Members have a record of an \_\_\_\_\_

CHECK ONE

YES      NO

acceptable standard of audit work? (Contractor Firm must answer this question "No" if the Firm or any Audit Team Member has received an enforcement action for substandard audit work during the past three years or has a related investigation pending by a professional or regulatory group. Attach a brief summary of any enforcement actions.)

\_\_\_\_\_

15. Ethics: Does Contractor Firm certify that its proposals are made without collusion or fraud and that it has not offered or received any kickbacks or inducements from any other auditor, supplier, manufacturer or subcontractor in connection with their proposals, and that it has not conferred on any City of Pine Lake employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged; that it is not in violation of the Official Code of Georgia Annotated, Sections 16-10-2 and 16-10-22, for acts of bribery and/or conspiracy in restraint of free and open competition in transactions with state or political subdivisions?

\_\_\_\_\_

16. Provisions of RFP: Does Contractor Firm agree to abide by all General Terms and Conditions and Special Terms and Conditions specified in the RFP?

\_\_\_\_\_

**CONTRACTOR FIRM CERTIFICATION STATEMENT**

I (we) certify that the information contained herein is true and correct to the best of my (our) knowledge, and that the person submitting the RFP on behalf of the proposer has the authority to submit this RFP and make all representations contained herein. I (we) understand that the inclusion of false information may result in rejection of the proposal submitted in response to this RFP.

\_\_\_\_\_  
Contractor Firm Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Preparer

## **ATTACHMENT C: MODEL FORMAT OF PROPOSAL**

To simplify the review process and obtain the maximum degree of comparability, proposals should be organized in the manner specified by the RFP. The following outline includes all the information called for in the RFP.

### COMPLETE COPY OF THE REQUEST FOR PROPOSALS

1. Provide a complete copy of the Request for Proposals, including all Attachments.
2. Sign the Request for Proposals in ALL places requiring signature.
3. Complete and sign the Mandatory Pre-Qualification Form (Attachment B).

### TECHNICAL COMPONENT OF PROPOSAL

#### Title Page

Show the RFP subject, the name of the proposer's firm, local address, telephone number, name of the contact person, email address of the contact person, and the date.

#### Table of Contents

Include a clear identification of the material by section and by page number.

#### Letter of Transmittal

Limit to one or two pages.

1. Briefly state the proposer's understanding of the work to be done. Make a positive statement that deadlines specified in the RFP will be met.
2. State the names of the persons who will be authorized to make representations for the proposer, their titles, addresses, email addresses, and telephone numbers.
3. State that the person signing the letter will be authorized to bind the proposer.
4. State the name of the partner assigned to this engagement and the name of the partner assigned the responsibility for the quality of the report and working papers.

#### Profile of the Proposer

1. State whether the firm is local, regional, national or international.
2. State the location of the office from which the work is to be done and the number of

partners, managers, supervisors, seniors, and other professional staff employed at that office.

3. Describe the range of activities performed by the local office such as auditing, accounting, tax service, or management services.

#### Summary of the Proposer's Qualifications

1. State the identity of the partners and managers who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for each supervisory person to be assigned to the audit should be included. (The resumes may be included as an appendix.)

Specify governmental CPE attended in the past 24 months by the partner(s) and each person to be assigned to this engagement. Hours should be shown separately for those that qualify for the requirements of *Government Auditing Standards* and other hours that do not.

2. Describe the recent local office auditing experience similar to the type of audit requested. Rank these audit engagements according to total staff hours. Indicate the scope of work, dates when work was performed, engagement partner(s), total hours, and the name and telephone number of the client contact. A maximum of 5 (five) of the most significant audit engagements performed in the last three (3) years similar to the engagement described in this request for proposals should be provided.

#### Proposer's Approach to the Audit

1. Submit a work plan to accomplish the scope defined in Section III of this RFP. The work plan must include time estimates for and identify each significant segment of the work and the staff level to be assigned. The planned use of specialists must also be specified. In developing the work plan, reference should be made to such sources as the City of Pine Lake's budget and related materials, organizational charts, programs, and financial and other management information systems. Proposers will be required to provide the following information on their audit approach:

- a. Sampling techniques and the extent to which statistical sampling may be used in the engagement;
  - b. Extent of the use of EDP software in the engagement;
  - c. Type and extent of analytical procedures that may be used in the engagement;
  - d. Approach to be taken to gain and document an understanding of the City of Pine Lake's internal control;
  - e. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
  - f. Approach to be taken in drawing audit samples for purposes of tests of compliance.
2. The proposal should identify and describe anticipated audit problems (if any), the firm's approach to resolving these problems and any special assistance that will be requested from the City of Pine Lake.

#### Additional Data

Since the preceding sections are to contain only data that is specifically requested, any additional information considered essential to the proposal should be separately bound. The proposer's general information publications, such as directories or client lists, should not be included. If there is no additional information to present, include a statement as the last section of the technical component of the proposal that "there is no additional information we wish to present".

#### COST COMPONENT OF PROPOSAL

State the total hours and hourly rate required by staff classification and the resulting all-inclusive maximum fee, including out of pocket costs for which the requested work will be done. State the amount of professional services, in hours, allowed each year without additional cost to the auditee. A separate all-inclusive fee must be stated for each audit for each year.

The recommended format of the cost component is shown on the following page.

FIRM NAME: \_\_\_\_\_

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE \_\_\_\_\_ FINANCIAL STATEMENTS**

Enter Year

(Complete one Schedule for each year covered by the proposal)

	HOURS	HOURLY RATES	TOTAL
PARTNERS	_____	_____	_____
MANAGERS	_____	_____	_____
SUPERVISORY STAFF	_____	_____	_____
OTHER (SPECIFY)	_____	_____	_____
TOTAL FOR SERVICES DESCRIBED IN RFP			_____
OUT OF POCKET EXPENSES (See Section IV.B.3 for allowability):			
MEALS AND LODGING			_____
TRANSPORTATION			_____
OTHER (SPECIFY)			_____
<b>TOTAL ALL-INCLUSIVE PRICE FOR _____ AUDIT</b>			_____
<b>AMOUNT OF PROFESSIONAL SERVICES, IN HOURS, ALLOWED FOR _____ YEAR WITHOUT ADDITIONAL COST</b>			_____

**ATTACHMENT D: SAMPLE FORMAT FOR NOTIFICATION OF INTEREST  
LETTER**

***Enter name and address of City of Pine Lake official responsible for RFP***

***Enter salutation to City of Pine Lake official responsible for RFP***

Our (my) firm is interested in submitting a proposal to audit the (***Enter name of City of Pine Lake's***) financial statements for the fiscal year ended (***Enter Fiscal Year End and the two subsequent fiscal years***) as set forth in the Request for Proposals issued (***Enter RFP Issue Date.***)

**SELECT ONE OF THE FOLLOWING PARAGRAPHS**

We will have [#] representative(s) attend the proposers' conference for firms interested in submitting proposals. The proposers' conference will be held in (***Enter address***) on (***Enter date***) at (***Enter time.***)

**OR**

We will be unable to send representatives to the proposers' conference, but are interested in receiving further correspondence concerning inquiries made or other items discussed at that conference.

Sincerely,

[Audit Firm]

**ATTACHMENT E: FORM OF AGREEMENT**

Counterpart No. \_\_\_\_\_  
Of 2 Original Executed Counterparts.  
Counterpart of the \_\_\_\_\_

STATE OF GEORGIA,  
COUNTY OF \_\_\_\_\_:

**AGREEMENT FOR AUDIT SERVICES**

THIS AGREEMENT FOR AUDIT SERVICES, hereinafter referred to as  
“Agreement”, is made and entered into as of the \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_, (the “Date Hereof”), by and between  
\_\_\_\_\_ a  
**(sole proprietorship, general or limited partnership, professional  
corporation or business corporation)** whose agent and address for purposes of  
this agreement is

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_,  
hereinafter referred to as “the Auditor” and  
\_\_\_\_\_, a **(describe  
governmental or nonprofit entity)**, whose address for the purposes of this  
Agreement is

\_\_\_\_\_, herein referred to as “the Auditee”.

**WITNESSETH THAT:**

WHEREAS, the Auditee is a governmental entity, regional commission or  
nonprofit corporation created thereby, pursuant to \_\_\_\_\_  
**(cite statute);** and

WHEREAS, the Auditee is required by **(cite statute)** to be audited on a regular  
basis in accordance with certain specified audit standards; and

WHEREAS, the Auditor is a **(describe private entity)** organized under the  
laws of the State of Georgia engaged in the practice of accountancy and business of  
performing professional audit services; and

WHEREAS, the Auditee desires to utilize the professional services of the Auditor,  
in accordance with the needs, requirements, terms and conditions contained in a

Request for Proposals, Number \_\_\_\_\_ (the “RFP”), and the proposal (the “Auditor’s Proposal”) submitted by the Auditor in response to the RFP, which RFP and Auditor’s Proposal are attached hereto and by this reference incorporated herein; and

WHEREAS, the Auditee awarded the contract for audit services to the Auditor in accordance with the RFP and in reliance upon the representations and certifications contained in the Auditor’s Proposal; and

WHEREAS, the Auditor and Auditee desire to document the terms and conditions of their Agreement.

NOW, THEREFORE, for and consideration of the mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, it is agreed as follows:

#### Article 1

### **BASIC AGREEMENT**

The Auditor will perform professional audit services in accordance with the Audit Requirements, Reporting and Delivery Requirements, General Terms and Conditions, and Special Terms and Conditions of the RFP. The Auditee will provide the information required by the RFP. The Auditor shall be compensated for its services as provided in the RFP and the Auditor’s Proposal.

#### Article 2

### **COVENANTS AND REPRESENTATIONS**

2.1 Covenants of the Auditor. The Auditor shall perform professional audit services in accordance with the Auditor’s Proposal and the Audit Requirements, Reporting and Delivery Requirements, General Terms and Conditions, and Special Terms and Conditions contained in Sections III, VI, VII of the RFP, and any attachments thereto, all of which are by this reference incorporated herein.

2.2 Covenants of the Auditee. The Auditee will provide to Auditor all information reasonably necessary, useful or customary pursuant to both standard accounting and auditing practices and customary within Auditee’s trade or business activities.

2.3 Representations. To induce the Auditee to enter into this Agreement, the Auditee shall be entitled to rely upon the representations and certifications made by the Auditor in the Auditor’s Proposal, without independent investigation and verification, and each such representation or certification shall be deemed to be material to this Agreement. The person negotiating and executing this Agreement on behalf of the Auditor has the full right, power, and authority to enter into, execute and perform this Agreement in accordance with the terms hereof, and when executed and delivered, this Agreement will constitute a valid and binding obligation of the Auditor and will be enforceable in accordance with the terms thereof.

#### ARTICLE 3

### **FEES**

3.1 The Auditor shall be paid for its services as provided in the schedule of fees and expenses submitted by the Auditor in the Auditor’s Proposal in the sealed dollar

cost bid as stated in the Cost Component of the RFP, Section IV (B), which are by this reference incorporated herein. Additional services shall be compensated in the manner set forth in the Addendum to this Agreement, at the same rates as set forth in the schedule of fees and expenses submitted by the Auditor in the Auditor's Proposal.

ARTICLE 4  
**CONTINGENCIES**

4.1 Contingent Obligations of the Auditee. The obligations of the Auditee are subject to the following conditions:

4.1.1 The ability of the Auditee to carry out the terms of this Agreement in accordance with the laws and Constitution of the State of Georgia.

4.1.2 The timely performance by the Auditor of each and every covenant, agreement, and obligation imposed upon the Auditor in this Agreement.

4.1.3 The truth and accuracy as of the Date Hereof of each and every representation made by the Auditor.

4.1.4 This Agreement is expressly made subject to other laws affecting its subject matter. In the event of any conflict between such laws and this Agreement, such laws shall take precedence.

4.2 Contingent Obligations of the Auditor. The obligations of the Auditor are subject to the following conditions:

4.2.1 The timely performance by the Auditee of each and every covenant, agreement, and obligation imposed upon the Auditee in this Agreement.

ARTICLE 5  
**TERM**

This Agreement shall have an initial term of up to twelve (12) months, to run concurrently with a fiscal year of the Auditee, commencing on \_\_\_\_\_ after the Date Hereof and terminating on \_\_\_\_\_ of the following year, and be subject to renewal for \_\_\_ additional successive term(s), if the Auditee gives notice of its election to renew the Agreement within thirty (30) days prior to the end of the term.

ARTICLE 6  
**NOTICES**

All notices, demands or requests required or permitted to be given pursuant to this Agreement shall be in writing and given or served either in person or by United States Mail, postpaid, registered or certified with Return Receipt Requested, showing the name of the recipient and the date of delivery. Notices shall be addressed to the party or parties identified and at the address as set forth in the introductory paragraph of this Agreement, and the date upon which such notice is delivered shall be deemed the effective date thereof. Either party may, from time to time, by five (5) days' prior written notice to the other party, specify a different agent or address to which notices can be delivered. Rejection or other refusal to accept a notice or inability to deliver a

notice because of a changed agent or address of which no notice was given shall constitute receipt of the notice on the date when personal service is attempted or the date of the postmark, if mailed.

ARTICLE 7  
**RIGHTS CUMULATIVE**

All rights, powers, and privileges conferred hereunder shall be cumulative and not restrictive of those given by law.

ARTICLE 8  
**NON-WAIVER**

No failure of the Auditee to exercise any right or power given to the Auditee under this Agreement, or to insist upon strict compliance by the Auditor with the provisions of this Agreement, and no custom or practice of the Auditee or the Auditor at variance with the terms and conditions of this Agreement, shall constitute a waiver of the Auditee's right to demand exact and strict compliance with the terms and conditions of this Agreement.

ARTICLE 9  
**CONTINUITY**

Each of the provisions of this Agreement shall be binding upon and inure to the benefit and detriment of the Auditor and the Auditee and the heirs, devisees, legatees, legal representatives, successors and assigns of the Auditor and the Auditee.

ARTICLE 10  
**DATE FOR PERFORMANCE**

If the time period by which any right, option or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday or legal holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

ARTICLE 11  
**TIME OF THE ESSENCE**

All time limits stated herein are of the essence of this Agreement.

ARTICLE 12  
**CAPTIONS**

The brief headings or titles preceding each provision hereof are for purposes of identification and convenience only and should be completely disregarded in construing this Agreement.

ARTICLE 13  
**COUNTERPARTS**

This Agreement is executed in two (2) counterparts which are separately numbered but each of which is deemed an original of equal dignity with the other and which is deemed one and the same instrument as the other.

ARTICLE 14  
**NO ASSIGNMENT, NO THIRD PARTY BENEFICIARIES**

14.1 This Agreement is a personal retention of Auditor as an independent contractor. Auditor must perform by its own forces and may not delegate, subcontract, assign, transfer, or otherwise obtain its performance of this Agreement, without the express written consent of Auditee.

14.2 Nothing herein shall be construed as conferring upon or giving to any person, other than the parties hereto, any rights or benefits under or by reason of this Agreement.

Article 15  
**ENGAGEMENT LETTER**

15.1 The attached engagement letter is incorporated into this agreement.

IN WITNESS WHEREOF, the Auditor and the Auditee have caused these presents to be duly signed, sealed and delivered on the day, month, and year first above written.

**AUDITOR**

By \_\_\_\_\_ (Seal)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(If corporation, fill in below)

Attest: \_\_\_\_\_ (Seal)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Corporate seal affixed)

**AUDITEE**

By \_\_\_\_\_ (Seal)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## ATTACHMENT F – SAMPLE ENGAGEMENT LETTER

***NOTE – This is just an example of a standard engagement letter. There will very likely be variances in circumstances related to the engagement being proposed upon which may require revision to the engagement letter. Items may be added, deleted, or wording changed as appropriate. It will then be submitted as part of Attachment E – Form of Agreement Article 15.***

[CPA Firm’s Letterhead]

[Date]

To [Identify the body or individual(s) charged with governance.] and [Name of Management]

We are pleased to confirm our understanding of the services we are to provide [Name of Governmental Unit] for the [period, year, OR years] ended [Date(s)]. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of [Name of Governmental Unit] as of and for the [period, year, OR years] ended [Date(s)]. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement [Name of Governmental Unit]’s basic financial statements. Such information, although not a part of the basic financial statements, is required by

the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to [Name of Governmental Unit]'s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Budgetary Comparison Schedule – General Fund
3. Schedule of Funding Progress – Pension
4. Schedule of Funding Progress - OPEB
5. Sources of Changes in the Net Pension Liability
6. Components of the Net Pension Liability and Related Ratios, including the Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability, and the Net Pension Liability as a Percentage of Covered-Employee Payroll.

If the contributions of a single or agent employer are actuarially determined, the employer should present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios. If the contributions of a single or agent employer are not actuarially determined but are established in statute or by contract, the employer should present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the pension plan, and related ratios.

We have also been engaged to report on supplementary information other than RSI that accompanies [Name of Governmental Unit]'s financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, [in a separate written report accompanying our auditor's report on the financial statements OR in a report combined with our auditor's report on the financial statements]:

1. Schedule of expenditures of federal awards.
2. Combining statements, individual fund statements and schedules
3. Schedule of Projects constructed with Special Purpose Local Option Sales Tax

[The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.]

1. Statistical section

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

1. Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
2. Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F** report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**.

Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**, and will include tests of accounting records, a

determination of major program(s) in accordance **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our single audit. Our reports will be addressed to [Identify parties, such as management and the governing board.] of [Name of Governmental Unit]. We will make reference to [Name of Component Auditor]'s audit of [Name of Component] in our report on your financial statements.

We cannot provide assurance that unmodified opinions will be expressed.

Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the single audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

### **Management Responsibilities**

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of **Uniform**

**Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F.**

In addition, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements;

and (4) ensuring that management and financial information is reliable and properly reported.

Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence and (4) issuing instructions to components related to the audit. Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are

immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provision of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on [Date].

You are responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with **Uniform**

**Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F.** You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits,

attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2)

fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of [Name of Governmental Unit]'s compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to

provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

**Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F** requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Appendix XI** for the types of compliance requirements that could have a direct and material effect on each of [Name of Governmental Unit]'s major programs. The purpose of these procedures will be to express an opinion on [Name of Governmental Unit]'s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Grant Guidance (UGG)) Subpart F**.

#### **Engagement Administration, Fees, and Other**

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional

services and the estimated fees. We also may issue a separate engagement letter covering the additional services.

In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We understand that your employees will prepare all cash, accounts receivable, other confirmations we request, and schedules as detailed in the attached list. Your employees will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to [Describe governmental unit, e.g., city, county, school district, etc.]; however, management is responsible for distribution of the reports

and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of [CPA Firm's Name] and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to [Name of a Cognizant or Oversight Agency for Audit] or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of [CPA Firm's Name] personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the [Name of Cognizant Agency, Oversight Agency for Audit, or Pass-through Entity]. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately [Date] and to issue our reports no later than [Date]. [Name of Engagement Partner] is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

To ensure that [Firm Name]'s independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fee for these services will be at the amount per our response to your RFP. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered at intervals outlined in your RFP as work progresses and are payable as outlined in your RFP. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If

significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period.

Accordingly, our 20XX peer review report accompanies this letter.

We appreciate the opportunity to be of service to [Name of Governmental Unit] and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

[CPA Firm's Name]

RESPONSE:

This letter correctly sets forth the understanding of [Name of Governmental Unit].

Management signature:

Title:

Date:

Governance signature:

Title:

Date: