

Patricia A. Peshka
Purchasing Agent



Scott Avedisian
Mayor

City of Warwick
Purchasing Division
3275 Post Road
Warwick, Rhode Island 02886
Tel (401) 738-2013
Fax (401) 737-2364

The following notice is to appear on the City of Warwick's website Wednesday, May 17, 2017. The website address is <http://www.warwickri.gov/bids>.

**CITY OF WARWICK
BIDS REQUESTED FOR**

Bid2018-045 Professional Auditing Services

Specifications are available in the Purchasing Division, Warwick City Hall, Monday through Friday, 8:30 AM until 4:30 PM on or after Wednesday, May 17, 2017. Please note that our offices will be closed on Monday, May 29, 2017.

Sealed bids will be received by the Purchasing Division, Warwick City Hall, 3275 Post Road, Warwick, Rhode Island 02886 up until 11:00 AM, Thursday, June 1, 2017. The bids will be opened publicly commencing at 11:00 AM on the same day in the Lower Level Conference Room, Warwick City Hall.

Awards shall be made on the basis of the lowest evaluated or responsive bid price. Please note that no bids can be accepted via email or fax.

Individuals requesting interpreter services for the hearing impaired must notify the Purchasing Division at 401-738-2013 at least 48 hours in advance of the bid opening date.

Patricia A. Peshka
Purchasing Agent

PLEASE SUBMIT THIS PAGE WITH YOUR BID

Acknowledgement of Addendum (if applicable)

| Addendum Number | Signature of Bidder |
|------------------------|----------------------------|
| _____ | _____ |
| _____ | _____ |

COMPANY NAME: _____

COMPANY ADDRESS: _____

COMPANY ADDRESS: _____

BIDDER'S SIGNATURE: _____

BIDDER'S NAME (PRINT): _____

TITLE: _____ TEL. NO.: _____

EMAIL ADDRESS: _____ *

*Please include your email address. Future bids will be emailed, unless otherwise noted.

=====

II. AWARD AND CONTRACT:

The CITY OF WARWICK, acting as duly authorized through its Purchasing Agent/Finance Director/Mayor (delete if inapplicable), accepts the above bid and hereby enters into a contract with the above party to pay the bid price upon completion of the project or receipt of the goods unless another payment schedule is contained in the specifications. All terms of the specifications, both substantive and procedural, are made terms of this contract.

DATE: _____
Bid2018-045

Purchasing Agent

CERTIFICATION & WARRANT FORM*

**This form must be completed and submitted with sealed bid.
Failure to do so will result in automatic rejection.**

Any and all bids shall contain a certification and warrant that they comply with all relevant and pertinent statutes, laws, ordinances and regulations, in particular, but not limited to Chapter 16- Conflicts of Interest, of the Code of Ordinances of the City of Warwick. Any proven violation of this warranty and representation by a bidder at the time of the bid or during the course of the contract, included, but not limited to negligent acts, either directly or indirectly through agents and/or sub-contractors, shall render the bidder's contract terminated and the bidder shall be required to reimburse the City for any and all costs incurred by the City, including reasonable attorney fees, to prosecute and/or enforce this provision.

Signature

Date

Company Name

Address

Address

***This form cannot be altered in any way**

**CITY OF WARWICK
NOTICE TO BIDDERS**

Bid2018-045 Professional Auditing Services

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If you received this document from our homepage or from a source other than the City of Warwick Purchasing Division, please check with our office prior to submitting your bid to ensure that you have a complete package. The Purchasing Division cannot be responsible to provide addenda if we do not have you on record as a plan holder.

Bids received prior to the time of the opening will be securely kept, unopened. No responsibility will be attached to an officer or person for the premature opening of a bid not properly addressed and identified. No bids shall be accepted via facsimile or email.

The opening of bids shall be in the order established by the posted agenda and the agenda shall continue uninterrupted until completion.

Once an item has been reached and any bids on that item has been opened, no other bids on that item will be accepted and any such bid shall be deemed late.

The contractor will not discriminate against any employee or applicant for employment because of physical or mental handicap for any position for which the employee or applicant is qualified and that in the event of non-compliance the City may declare the contractor in breach and take any necessary legal recourse including termination or cancellation of the contract.

A bidder filing a bid thereby certifies that no officer, agent, or employee of the City has a pecuniary interest in the bid or has participated in contract negotiations on the part of the City, that the bid is made in good faith without fraud, collusion, or connection of any kind with any other bidder for the same call for bids, and that the bidder is competing solely in his own behalf without connection with, or obligation to, any undisclosed person or firm.

All bids should be submitted with one (1) original and five (5) copies in a sealed envelope, which should read: *YOUR COMPANY NAME* plainly marked on the exterior of the envelope as well as "Bid2018-045 Professional Auditing Services."

Should you have any questions, please contact Brian Silvia or Kenneth Alfano, Treasury, 3275 Post Rd., Warwick, RI at 401-738-2015.

All bids should be written in ink or typed. If there is a correction with whiteout, the bidder must initial the change.

Negligence on the part of the bidder in preparing the bid confers no rights for the withdrawal of the bid after it is open.

Any deviation from the specifications must be noted in writing and attached as part of the bid proposal. The bidder shall indicate the item or part with the deviation and indicate how the bid will deviate from specifications.

The IRS Form W-9 available on www.warwickri.gov should be completed and submitted with the bid if the bidder falls under IRS requirements to file this form.

The City of Warwick reserves the right to request a performance bond in the amount of \$50,000.00 annually from the successful bidder(s). The cost of said bond is not to be included in the bid price, but will be paid for separately by the City of Warwick. **The cost of said bond, for one year, will be stated on the Bid & Contract Form and will be renewed annually for the duration of the contract. If bonds are not submitted within ten (10) calendar days after notification, the City of Warwick reserves the right to cancel the award.**

The successful bidder must provide the City of Warwick with an original certificate of insurance for Professional Liability in a minimum amount of \$1 million. The certificate of insurance must name the **City of Warwick as the additional insured** and so stated on the certificate with the bid name and bid number. It is the vendor's responsibility to provide the City of Warwick with an updated certificate of insurance upon expiration of the original certificate.

For a bid to be awarded to a corporation, limited liability company or other legal entity, prior to commencing work under the awarded bid, that corporation, company or legal entity may be required to provide to the Purchasing Agent a Certificate of Good Standing from **The Rhode Island Secretary of State** dated no more than thirty (30) days prior to the date upon which the bid approval was made. **Please note that no other State's Certificate of Good Standing will be accepted.**

The successful bidder will provide said bond (if required), Certificate of Insurance and State of Rhode Island's Certificate of Good Standing (if required) within ten (10) calendar days after notification or the City reserves the right to rescind said award.

Prices to be held firm FY ending June 30, 2017 through FY ending June 30, 2019. Term contracts may be extended for one additional term upon mutual agreement unless otherwise stated.

The contractor must carry sufficient liability insurance and agree to indemnify the city against all claims of any nature, which might arise as a result of his operations or conduct of work.

The City is exempt from the payment of the Rhode Island Sales Tax under the 1956 General Laws of the State of Rhode Island, 44-18-30, Paragraph I, as amended.

The Purchasing Agent reserves the right to reject any and all bids, to waive any minor deviations or informalities in the bids received, and to accept the bid deemed most favorable to the interest of the City.

The successful bidder must comply with all Rhode Island Laws applicable the public works projects, including, but not limited to provisions of Chapter 13 of Title 37 of the Rhode Island General Laws, pertaining to prevailing wage rates, and all other applicable local, state and federal laws.

The City reserves the right to terminate the contract or any part of the contract in the best interests of the City, upon 30-day notice to the contractor. The City shall incur no liability for materials or services not yet ordered if it terminates in the best interests of the City. If the City terminates in the interests of the City after an order for materials or services have been placed, the contractor shall be entitled to compensation upon submission of invoices and proper proof of claim, in that proportion which its services and products were satisfactorily rendered or provided, as well as expenses necessarily incurred in the performance of work up to time of termination.

No extra charges for delivery, handling or other services will be honored. All claims for damage in transit shall be the responsibility of the successful bidder. Deliveries must be made during normal working hours unless otherwise agreed upon.

All costs directly or indirectly related to the preparation of a response to this solicitation, or any presentation or communication to supplement and/or clarify any response to this solicitation which may be required or requested by the City of Warwick shall be the sole responsibility of and shall be borne by the respondent.

If the respondent is awarded a contract in accordance with this solicitation and the respondents bid or response and if the respondent fails or refuses to satisfy fully all of the respondents obligations thereunder, the City of Warwick shall be entitled to recover from the respondent any losses, damages or costs incurred by the City as a result of such failure or refusal.

The City reserves the right to award in part or full and to increase or decrease quantities in the best interest of the City.

Any quantity reference in the bid specifications are estimates only, and do not represent a commitment on the part of the City of Warwick to any level of billing activity. It is understood and agreed that the agreement shall cover the actual quantities ordered during the contract period.

The City reserves the right to rescind award for non-compliance to bid specifications.

The successful bidder must adhere to all City, State and Federal Laws, where applicable.

PLEASE SUBMIT THIS PAGE WITH YOUR BID

CITY OF WARWICK

BID AND CONTRACT FORM

TITLE OF SPECIFICATION: Bid2018-045 Professional Auditing Services

I. BID:

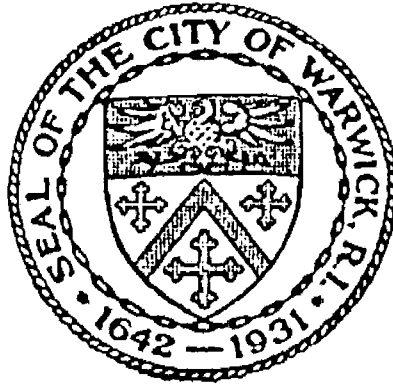
WHEREAS, the CITY OF WARWICK has duly asked for bids for performance of services and/or supply of goods in accordance with the above-indicated specifications.

The person or entity below does irrevocably offer to perform the services and/or furnish the goods in accordance with the specifications, which are hereby incorporated by reference in exchange for the bid price below;

This offer shall remain open and irrevocable until the CITY OF WARWICK has accepted this bid or another bid on the specifications or abandoned the project.

The bidder agrees that acceptance below by the CITY OF WARWICK shall transform the bid into a contract. This bid and contract shall be secured by Bonds, if required by the specifications.

Pricing as Submitted on Pages 22 and 23



THE CITY OF WARWICK FINANCE DEPARTMENT

**REQUEST FOR PROPOSAL
FOR
AUDITING SERVICES AND
UCOA COMPLIANCE TESTING**

MAY 2017

**THE CITY OF WARWICK
REQUEST FOR PROPOSALS**

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I. **ENGAGEMENT OVERVIEW**

A. **General Information & Requirements**

The City of Warwick is requesting proposals from qualified firms of certified public accountants to perform an audit of its financial statements, along with those of the Warwick School Department. The term of this engagement is for the fiscal years ending June 30, 2017 through June 30, 2019.

The City of Warwick is required to have an annual audit of its financial statements performed by an independent Certified Public Accounting Firm, following the close of the June 30th fiscal year. This annual audit is required by the Federal Government under the Single Audit Act of 1984, as amended by the Single Audit Amendments of 1996 (United States Code, Title 31, Section 75). It is also required by the State of Rhode Island (R.I.G.L. 45-10-4 and 45-10-5); and by the City of Warwick (City Charter Sections 6-3.4 and 9-12).

The Warwick School Department has implemented the state mandated Uniform Chart of Accounts (UCOA). The auditors engaged to perform the annual audit of the District shall also be engaged to report on their tests of compliance with the School UCOA requirements in an agreed-upon procedures compliance attestation format.

The City of Warwick Finance Department is responsible for establishing the specifications for each audit, recommending the selection of the audit firm to the City Council, and measuring the performance of this firm against the predetermined specifications.

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

All inquiries concerning these specifications should be addressed to Brian Silvia, City Treasurer, or Kenneth Alfano, City Controller, at (401) 738-2015.

During the evaluation process, the City of Warwick reserves the right to request additional information or clarifications from participants, or to allow corrections of errors or omissions. The City reserves the right to award in part or in full to serve the City's best interest. The City also retains the right to reject all bids.

B. **The Scope of the Engagement**

The selected auditors will conduct an audit of the City of Warwick's basic financial statements, including the government-wide financial statements, fund financial statements, and certain accompanying information for the purpose of rendering an opinion as to the fair presentation of such financial statements and accompanying information in conformity with generally accepted accounting principles.

The basic financial statements include all municipal funds, special revenue funds (which include all unrestricted and restricted school department funds), enterprise funds, capital project funds, internal service fund, pension trust funds, private-purpose trust funds and agency funds.

While one audit report is produced, the selected auditors will also be required to separately audit the financial statements and procedures of the Warwick School Department. Additionally the selected auditors will report on the fair presentation of the general ledger, expense, and revenue data submission of the school unrestricted fund, school special

revenue funds, restricted and unrestricted grant funds, enterprise funds, and school activity accounts.

The selected auditors will also be required to perform an audit of all school activity accounts for compliance with the School Department's School Activity Account Guidelines and IRS regulations concerning forms W-9, 1099, and independent contractor regulations. The firm will perform an on-site audit at each school with the assigned school treasurer.

Other schedules may be required by the City and/or the State of Rhode Island Director of Revenue, Auditor General, and Department of Education or as required by the applicable section of the general laws such as, Rhode Island General Law Section (RIGL) 45-10-6 (Contents of Audit Report).

The Tax Collector's Annual Report shall be presented within Other Supplementary Information to meet the requirements of RIGL 45-10-6 for additional information to the basic financial statements. The Tax Collector's Annual report should be presented in accordance with the revised format requirements of the RI Department of Revenue - Division of Municipal Finance (available on the Division's website). The auditors engaged to audit the municipality's financial statements shall also report on the Tax Collector's Annual Report, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Municipal Transparency Portal (MTP) - Enacted legislation amended Rhode Island General Laws §45-12-22.2 and §44-35-10 to improve required reporting by creating the Municipal Transparency Portal (MTP) which will represent a centralized location for municipal financial information. Each municipality shall include their Annual Supplemental Transparency Report, MTP2, within their annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements.

The auditors engaged to audit the municipality's financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Auditors are not required to opine on the municipality's determination of "reportable government services" (RGS) as defined in Section 2.1 of the Municipal Transparency Portal Implementation Guidance. The municipality will make the determination of "reportable government services" for inclusion in the various reports required to be submitted through the municipal transparency portal. However, auditors will be expected to review the reconciliations as part of the Annual Supplemental Transparency Report, MTP2, (required for inclusion in the audited financial statements as supplementary information) to assess the inclusion of amounts reported which are not within the municipality's or school's general fund.

The format of the required MTP schedules and related reconciliations, as well as, the typical timeline for filing of the annual municipal data report and coordination with annual financial statement audit, are detailed in the MTP Implementation Guidance (available on the Division of Municipal Finance website).

The Independent Auditor's Report would typically include reference to the Annual Supplemental Transparency Report, MTP2, as supplementary information. See the Municipal Transparency Portal Implementation Guidance for additional information.

The State is implementing the new reporting using three phases of pilots. Phase I pilots implemented the above requirements for the fiscal year ended 2016. Phase II pilots will implement the above requirements for the fiscal year ending 2017 and Phase III will implement for the fiscal year ending 2018. The auditor should coordinate with their client to determine the pilot phase and level of reporting required for each fiscal year.

Combining fund financial statements shall be presented as supplementary information for all non-major governmental funds. Each non-major fund (included within the Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds) shall be presented as separate columns in the combining fund financial statements. Similarly, combining financial statements shall also be presented for each of the other fund types when there is more than one internal service fund, enterprise fund, and fiduciary fund.

Combining financial statements shall be presented for the General Fund when separate funds are maintained within the accounting system but the funds do not qualify as special revenue funds, in accordance with generally accepted accounting principles, and are merged with the General Fund for financial reporting purposes. If the general operations of the school department do not qualify as a special revenue fund and is merged with the General Fund, the supplementary information shall also include a Budget and Actual Statement for the school department.

C. Auditing Standards Defined

These audits are to be performed in accordance with Generally Accepted Auditing Standards, the standards set forth for financial audits in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards* (1988), the provisions of the Federal Single Audit Act of 1984 (as amended by the Single Audit Amendments of 1996) and U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F - Audit Requirements. The audit shall also meet any minimum requirements of both the Auditor General and the Department of Education of the State of Rhode Island.

In conjunction with the Single Audit Act of 1984 (as amended by the Single Audit Amendments of 1996), the Auditors must also report on the following:

- a. 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
- b. Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by Uniform Guidance
- c. Schedule of Findings And Questioned Costs
- d. Schedule of Expenditures of Federal Awards
- e. Notes to Schedule of Expenditures of Federal Awards
- f. Data Collection Form

Upon completion of the audit, the City requires a two-part management letter. The first part should pertain to city recommendations and the second part should focus on the school department. The management letter should discuss any opportunities for strengthening school and municipal internal controls and improving operational efficiency. A copy of the management letter shall also be provided to the State Director of Revenue and the Auditor General.

D. Selection of the Auditors

The City of Warwick engages auditors to conduct its annual audit upon selection through a competitive bidding process. The City's Finance Department reviews audit specifications triennially, makes any necessary adjustments, and requests proposals for the subsequent engagement. The City is now requesting proposals for audits of the 2017, 2018, and 2019 fiscal years.

Proposals will be publicly opened on the date specified in the accompanying "Notice to Bidders". The Finance Department will review each proposal received and will request any additional information necessary to fairly evaluate any given proposal. Each proposal will be available for inspection by competing proposers and the general public.

The selection of the audit firm will be based upon the following criteria:

1. Technical Qualifications

a. General

The selected Certified Public Accounting Firm must meet each of the general standards promulgated by the Comptroller General of the United States as set forth in the Government Auditing Standards (the "Yellow Book").

b. Independence

The private auditor must meet the independence requirements of the American Institute of Certified Public Accountants and the independence requirements of Government Auditing Standards. In accordance with these standards, the firm should provide an affirmative statement that it is independent of the City of Warwick and all component units of the City. This requirement must be complied with during the entire term of the audit.

c. License to Practice in Rhode Island

The firm must possess a Certified Public Accountant's license and permit issued by the State of Rhode Island Board of Accountancy. (An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in the State of Rhode Island.) This requirement must be complied with during the entire term of the audit.

d. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement will be performed. The firm should provide as much information as possible regarding the number, qualifications, experience, and training, of the partners, managers, specialists, the senior accountant in charge of the fieldwork, and other staff personnel who would be assigned to the engagement. In particular, the senior accountant in charge of fieldwork must be a certified public accountant. Information regarding the firm's ability to provide incidental "non-audit" services should also be included.

The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by Government Auditing Standards. The organization is required to submit a copy of the report of their most recent external quality control review report. Please include a statement of whether that quality control review included a review of specific government engagements.

The firm should provide a listing of current clients, as well as a summary of the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposals. (Of specific interest is experience in large governmental audits-budgets exceeding \$50 million-with emphasis on municipal and school audits.) Finally, the firm should provide a listing of professional references.

e. Continuing Education

The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of Government Auditing Standards issued by the Comptroller General of the United States.

f. Professional Liability

The organization must provide the amount and type of professional liability insurance coverage they maintain. The organization shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million. Additionally, they must provide a listing of any professional complaints pending or resolved against the firm or any of its partners with the state boards of accountancy, or any self-regulatory, professional or government authority including, but not limited to, the AICPA or the Rhode Island Board of Accountancy. Information regarding any lawsuits or claims against the firm, pending or resolved, should also be included.

g. Fee Schedule

The organization shall complete the Bid & Contract Form summarizing the following fees:

- The firm's fees for performing the city audit for each of the three years
- The firm's fees for performing the school audit for each of the three years
- The firm's fees for performing the school uniform chart of accounts agreed-upon procedures for each of the three years
- The firm's hourly fees for special work (for each level of the professional staff)
- The cost of a performance bond for each of the three years. (Note: This bond may be implemented at the City's discretion.)

Continuation beyond the initial fiscal year of the three year contract will be at the discretion of the City of Warwick.

2. Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the required services. The following information should be included:

- a. Proposed segmentation of the engagement.
- b. Level of staff and estimated hours assigned for each segment.
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement.
- d. Use of EDP Software.
- e. Type of analytical procedures to be used.
- f. Approach to be taken to gain and document an understanding of the City's internal control structure.

3. Compensation

The sealed bid should contain all pricing information relative to performing the engagements as described in this request for proposal. The City requires submission of a separate fee schedule for the City audit, the School Department audit, and the uniform chart of accounts agreed-upon procedures. The fees should be listed on the Bid & Contract Form provided in this package. They should include **all costs** – both direct and indirect. Additionally, the firm should submit a schedule of professional fees which would be used by the City should it require any incidental or “non-audit” services during the life of the contract. This fee structure should be comprehensive and include Partner, Manager, Specialist, Supervisor, and Staff levels. In accordance with Government Auditing Standards, the firm providing non-audit services must evaluate whether providing the services creates an independence impairment either in fact or appearance with respect to the audit of the City. The firm should refer to Government Auditing Standards Chapter 3 for additional guidance.

4. Evaluation of Proposals

An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters. Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

| | Maximum points |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited. | 40 |
| Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here) | 30 |
| Audit fees - See formula for points awarded for audit fees (* 30 | 30 |

| | |
|-------------------------------|-----|
| Maximum evaluation points 100 | 100 |
|-------------------------------|-----|

* Evaluation technique – audit fees

Audit fee score = (lowest qualified bid/bid for firm being evaluated) X 30 points

Example: Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

| | | |
|----------------------------|-------------------|---------------------------------------------------|
| Firm A (the lowest bidder) | awarded 30 points | $\$40,000/\$40,000 \times 30 \text{ points} = 30$ |
| Firm B | awarded 26 points | $\$40,000/\$46,000 \times 30 \text{ points} = 26$ |
| Firm C | awarded 24 points | $\$40,000/\$50,000 \times 30 \text{ points} = 24$ |

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

5. Final Selection

Final selection of the audit firm requires the approval of the Warwick City Council and the Warwick School Committee. The engagement agreement will state the scope of the engagements, outline both parties' obligations, indicate the fee structure for each year of the engagement, and stipulate the City's remedies in the event of poor quality work and both parties' remedies in the event of other contractual defaults.

II. DESCRIPTION OF THE AUDIT ENVIRONMENT

A. Description of the City Government

Established in 1642, Warwick was incorporated as a City in 1931. The City, which has the second largest population in Rhode Island, is located 10 miles south of the state capital, Providence. Warwick operates under a legislative charter providing for a nine-member council elected for two-year terms. All legislative powers of the City are vested in the City Council. Members of the City Council are elected from each of the City's nine wards. In addition, a Mayor is elected for a two-year term and is the chief executive and administrative officer of the City. The Mayor is responsible for the administration and management of all offices, departments and agencies except as otherwise provided by the City Charter. Duties of the Mayor include appointment of officers and employees of the City, preparation and presentation of the annual budget to the Council and performance of other duties that are required by ordinance or resolution. The Mayor has veto power over ordinances passed by the City Council, subject to being overridden by two-thirds vote of the City Council.

A five-member School Committee directs the general administration of Warwick's Public School System. Three members are elected from designated school districts and two are elected at-large. The Warwick School Committee determines and controls all policies affecting the administration, construction, maintenance, and operation of the public schools. The Committee also appoints a Superintendent of Schools as its chief administrative agent and such other administrative officers as are considered necessary.

The fiscal 2017 budget for the City of Warwick amounts to \$298.7 million – of this, \$137.6 million relates to the City and \$161.1 million relates to the School Department.

B. City Financial Management Structure

As set forth in the City Charter, the Department of Finance is responsible for the supervision and direction of all matters pertaining to municipal financial operation, accounting, budgeting, purchasing, expenditure control, tax assessment, and the collection of taxes and other revenues. The Finance Director, who reports directly to the Mayor, oversees the activities of the Department. Individual finance functions are managed by the Treasurer, Management Information Systems Director, Tax Collector, and the Purchasing Agent.

School Department financial, budgetary, and accounting functions are the responsibility of the Director of Finance & Operations, who reports directly to the Superintendent. All financial functions of the School are handled separately from those of the City. The School Department generates separate accounts payable and payroll checks.

C. The Budgetary and Accounting Process

The fiscal year of the City of Warwick begins on July 1st in each calendar year. At least thirty days prior to the start of the fiscal year, the Mayor must submit an operating budget to the City Council for approval. The City Council reviews the Mayor's proposed budget and holds a public hearing thereon. The Council may insert new items or change the line items as presented by the Mayor, but it must provide the funding for any expenditure increases. The budget shall be adopted by the favorable votes of at least a majority of all the members of the Council. Upon adoption, and with the approval of the Mayor, it becomes the annual appropriation ordinance for the ensuing fiscal year. The budget ordinance must be formally adopted by the 15th day of June.

Upon the legal enactment of the budget, the Finance Department is responsible for establishing budgetary control over each appropriation. The Mayor and Finance Director may approve transfers of appropriations made within the same department. Inter-departmental transfers, however, require City Council approval.

Generally, the encumbrance of appropriations begins with department requisitioning. Contracts for the purchase of materials and services exceeding \$1,000 must be formally bid. In addition, contracts exceeding \$2,500 must be awarded by the City Council. Authorized contracts, purchase orders, and requisitions are encumbered until materials have been received or services performed.

The enacted budget is posted in the City's automated financial system. The status of appropriations versus expenditures and revenue estimates versus receipts are updated daily and reported along with each fund's general ledger accounts.

D. Municipal Accounting and Management Information Systems

The City's accounting function is entirely automated, utilizing the MUNIS governmental accounting software. The City maintains several interactive modules, including general ledger, payroll, accounts payable, purchase orders, budget processing, tax collection, and utility billing. This system allows for effective interfund transactions, with the majority of the cash activity flowing through the general fund.

Municipal funds and accounts have been established in accordance with standards prescribed by GASB (Governmental Accounting Standards Board). The City's fund structure is summarized below – it is approximate and subject to change as necessary. (Note: Both City and School Funds are included here.)

1. General Fund
2. Special Revenue Funds
 - a. School General (Unrestricted) Fund
 - b. School Lunch Fund
 - c. School Restricted Funds (approx. 50)
 - d. Community Development Block Grant
 - e. Home Improvement Loan Escrow Account
 - f. Disaster Recovery Grant
 - g. Drug Seizure Fund
 - h. Open Space Land Dedication
 - i. Warwick Public Library Restricted Account
 - j. Senior Center Gift Shop
 - k. JAG Grant
 - l. Rescue Service
 - m. Emergency Operations-City
 - n. Mooring Fee Reserve
 - o. Excess Hotel Tax Reserve
 - p. Sewer Connection Grants
 - q. Special Detail Fund
 - r. City Clerk Restricted Fund
 - s. State Asset Forfeiture Fund
3. Capital Projects Funds (Various-approx. 8)
4. Enterprise Funds
 - a. Sewer
 - b. Sewer Assessment
 - c. Industrial Pretreatment
 - d. On Site Revolving Loan Program
 - e. Sewer Renewal & Replacement Fund
 - f. Sewer Infrastructure Fund
 - g. Emergency Operations-Enterprise
 - h. Water
 - i. Water Infrastructure Replacement Fund
 - j. Water Restricted Emergency Fund
 - k. Water Renewal & Replacement Fund

5. Pension Trust Funds (6)
6. Private Purpose Trust Funds (3)
7. Agency Funds (11), including School Activity Accounts
8. Debt Service Fund
9. Internal Service Funds
 - a. Workers Compensation
 - b. Healthcare Management-City
 - c. Healthcare Management-School

E. School Accounting and Management Information Systems

The School Department maintains two separate operating bank accounts -a payroll account and an accounts payable account. The School Department generates and disburses its own checks. Upon receipt of approved warrants, the City Treasurer is responsible for wiring money into these accounts and reviewing all accounts payable checks before they are disbursed. Payroll taxes are also remitted and reported on a separate basis by the School payroll staff.

The School Department's accounting system is autonomous from the municipal system. Separate hardware and software platforms are maintained. The School utilizes the Alio Financial Management Software. The School's accounting function involves posting all warrants and adjustments to the appropriate expense line items, using the modified accrual basis of accounting. On the municipal side, these entries are posted to appropriation accounts when the funds are actually wired to the School Department.

The School Department is responsible for the preparation of the Uniform Chart of Accounts Data Submission to the RI Department of Education. The City and School reconcile interfund receivables and payables throughout the year. The Auditor will be responsible for auditing a final reconciliation after all year end entries have been processed. At that time, the City may request assistance in resolving any interfund variance, exceeding \$15,000, which might exist. The terms of this contract will include this assistance. If the scope of service becomes more comprehensive, and the firm should provide non-audit services, it must evaluate whether providing the services creates independence impairments as defined by Government Auditing Standards.

III. AUDIT SPECIFICATIONS

A. Responsibilities of the City

The City Controller and School Controller will close their respective funds upon the completion of the fiscal year. These closings will include a series of adjusting journal entries, which are intended to ensure that each fund is presented fairly and contains no material misstatements.

The City will provide adjusted trial balances for each municipal fund. Workpapers supporting all material balance sheet accounts will be available for auditing use and will be referenced in a convenient format. Workpaper copies, source documents and general ledgers will be furnished as requested. The City will provide the Letter of Transmittal, the Management Discussion and Analysis, the Organizational Chart, the Listing of City Officials, and the Statistical Tables. These items must be reviewed by the auditors for completeness.

The School will provide trial balances for each school fund. Necessary supporting documents and schedules will be available at the School Department.

Control over financial statement presentation will remain with the City's Department of Finance provided that the statements conform to generally accepted accounting principles. This control shall extend to the determination of report combinations, the selection of report line items, the formatting of combining statements, footnote schedules, and supplemental data.

B. Responsibilities of the Audit Firm

City of Warwick and Warwick School Department

In accordance with Rhode Island State Law, the annual audit shall be completed and final audit reports (inclusive of all audit communications related to the financial statements) shall be delivered to the City of Warwick, State Auditor General, and State Director of Revenue within six months after the close of the fiscal year. The filing deadline for the City of Warwick is December 31st. A copy of the final written correspondence between the audit firm and those charged with governance (e.g. Statement of Auditing Standards – The Auditor's Communication with Those Charged with Governance) shall also be delivered to the State Auditor General.

The School Department must provide the agreed-upon procedures report to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or the revised timeline established by the Rhode Island Department of Education and the Office of the Auditor General.

The audits are to be performed in accordance with generally accepted auditing standards, and *Government Auditing Standards*, to determine whether the City and School's financial statements are in compliance with generally accepted accounting principles. The audit firm will be required to prepare draft financial statements, notes, and supplementary schedules (as referenced below) based on City and School provided trial balances, journal entries approved by management, and other financial information. Management acknowledges responsibility for the financial statements, notes, and supplementary schedules. The Comprehensive Annual Financial Report to be issued must include, but will not be limited to, the following:

- 1. (100) Copies of the complete City of Warwick Comprehensive Annual Financial Report, as described below:**

a. Introductory Section

- Table of Contents
- Letter of Transmittal (Prepared by City)
- City of Warwick Organizational Chart (Prepared by City)
- List of City Officials (Prepared by City)

b. Financial Section

- Independent Auditors' Report (Prepared by Audit Firm)
- Management Discussion And Analysis (Prepared by City)
- Basic Financial Statements (Prepared by Audit Firm)
 - Statement of Net Position - Government-wide
 - Statement of Activities - Government-wide
 - Balance Sheet - Governmental Funds
 - Reconciliation of Governmental Funds Balance Sheet to Government-Wide Statement of Net Position
 - Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to Government-Wide Statement of Activities
 - Statement of Net Position – Proprietary Funds
 - Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
 - Statement of Cash Flows – Proprietary Funds
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
 - Notes to the Financial Statements (including comprehensive financial statements for Pension Trust Funds) Footnotes should remain in the format designated by the City. GASB changes should be incorporated as necessary.
- **Footnotes** (As Defined-Prepared by Audit Firm and City)
- **Required Supplementary Information** (Prepared by Audit Firm)
 - Budgetary Comparison Schedule – General Fund Revenues
 - Budgetary Comparison Schedule – General Fund Expenditures
 - Budgetary Comparison Schedule – Revenues and Expenditures – School Unrestricted Fund
 - Budgetary Data & Budgetary Compliance Schedules
 - Pension Plans – Schedule of Changes in Employers' Net Pension Liability and Related Ratios
 - Pension Plans – Schedule of City Contributions
 - Pension Plans – Schedule of Investment Returns

- Pension Plans – Schedule of Funding Progress and OPEB Plan
- Notes to Required Supplementary Information

➤ **Other Supplementary Information** (Prepared by Audit Firm)

- Combining Balance Sheet – Non-major Governmental Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds
- Combining Balance Sheet – City Special Revenue Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – City Special Revenue Funds
- Combining Balance Sheet – School Special Revenue Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Special Revenue Funds
- Combining Balance Sheet–Capital Proj Fds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Project Funds
- Combining Statement of Net Position – Non-major Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Non-major Enterprise Funds
- Combining Statement of Cash Flows – Non-major Enterprise Funds
- Combining Statement of Net Position – Pension Trust Funds
- Combining Statement of Changes in Net Position – Pension Trust Funds
- Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Fiduciary Net Position – Agency Funds
- Combining Statement of Changes in Fiduciary Net Position – Agency Funds
- Other Combining Schedules
 - Combining Balance Sheet for Funds Which Comprise the General Fund
 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Funds Which Comprise the General Fund
 - Combining Statement of Net Position-Internal Service Funds
 - Combining Statement of Revenues, Expenditures and Changes in Net Position-Internal Service Funds

- Combining Statement of Net Position for Funds Which Comprise the Sewer and Water Funds
- Combining Statement of Revenues, Expenses and Changes in Net Position for Funds Which Comprise the Sewer and Water Funds
- Other Supplementary Information
 - Tax Collector's Annual Report
 - Analysis of Prior Year Tax Collections

c. **Statistical Section**

(Note: This section will be prepared by the City and is normally unaudited.)

- Net Position by Component
- Change in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds
- Revenue Base Information - Assessed and Estimated Actual Value of Taxable Property
- Revenue Rate Information - Property Tax Rates
- Principal Taxpayers
- Property Tax Levies and Collections
- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Legal Debt Margin Information
- Pledged-Revenue Coverage Information
- Demographic and Economic Statistics
- Principal Employers
- Government Employment Information
- Operating Indicators by Function
- Capital Asset Statistics by Function

d. **Single Audit Section** (Prepared by Audit Firm)

- 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
- Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by Uniform Guidance Schedule of Findings And Questioned Costs
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards

e. **Data Collection Form**

The auditor will complete and certify the information on the SF-SAC, the federal Single Audit Data Collection Form (filed electronically) as required by OMB Uniform Guidance.

f. Other Reports

In conformance with changes in the General Laws of the State of Rhode Island, the audit organization will be responsible for other state mandated reports as requested by the City, Director of Revenue, and the Auditor General, or as required by the applicable section of those general laws.

g. PDF File

We request that the Comprehensive Annual Financial Report also be supplied in a PDF format so that it might be transmitted electronically.

h. CPA Certificate of No Default

The selected audit firm will provide a certificate certifying that the City remained compliant with the terms of the Sewer Revenue Bond Trust Indenture Agreement with U.S. Bank, originally dated December 30, 2004 and supplemented with each consecutive revenue bond (loan) issue to date.

2. (50) Copies of the City of Warwick/Warwick Public School Management Letter on Internal Controls and Other Matters.

The management letter should include comments, and/or recommendations beyond those included in the reports described above on such matters as:

- o Policies, procedures, and practices employed by the City and School
- o Other matters, for example, control deficiencies that are not significant deficiencies or material weaknesses
- o Use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner
- o Compliance with state laws pertaining to the municipality and with rules and regulations established by the municipality

3. (10) Copies of the final Agreed-Upon Procedures Report on the School Department's compliance with the Uniform Chart of Accounts.

C. Additional Considerations

1. The City and School will expect adherence to a prescribed audit schedule. The City will work with the firm to develop a mutually acceptable timetable. Normally the General Fund and Enterprise Funds are the final funds to be completed, and many times they are not finalized until mid to late November. Given this schedule, it is imperative that the audit firm be equipped to provide adequate staff resources during the month of December to be able to finalize the Comprehensive Annual Financial Report by the December 31st deadline.

The City and School will expect periodic meetings with the firm for the purpose of discussing audit progress, adherence to deadlines, and any proposed audit adjustments. Draft copies of all audit reports and the management letter shall be submitted to the City/School prior to the exit conference so that there will be adequate time for review.

2. The Audit Firm selected will be responsible for providing guidance to the City regarding the implementation of all new GASB pronouncements. These statements may affect the content and presentation of the basic financial statements issued through fiscal year 2019. New GASB pronouncements should be reviewed with the City formally during all entrance and exit conferences.
3. If adjustments to municipal and school accounts are discovered during the performance of various auditing test, these adjustments should be proposed to the Finance Department or School Department when appropriate and in a timely manner. If the cumulative effect of the proposed entries is not determined to be material to the financial statements, the adjustments will be booked at the discretion of the City or School.
4. The Audit Firm will notify the City and School Department upon determining that a particular financial condition warrants a Management Letter comment. This will allow the City and School Department ample time to review and respond to the issue, and to discuss its validity with the Audit Firm.
5. The Audit Firm must allow the City and School access to the audit documentation which details account and report line item balances, proposed adjustments, report schedules, footnotes, cited deficiencies of any type, and management letter comments. The auditors must make this same audit documentation available to the successor auditors upon completion of the term of this engagement.
6. It is understood that the contract between the municipality and the audit firm shall require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his designee). This information includes, but is not limited to financial data, analysis, audit documentation, and memorandum. The audit documentation of the independent auditors shall be made available to the Auditor General (or his designee) upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision.
7. Upon the completion of each audit, the City and School will receive one complete copy of audit adjustments, for historical purposes.
8. During the next three years, the City intends to implement certain financial management changes and enhancements, which may have potential effects on the audit environment, audit risk, or reporting requirements. Those intentions, which should be considered by prospective bidders, are disclosed below.
 - Periodic upgrades to the MUNIS financial system
 - Modifications to the City's Sewer Assessment system.

IV. THE AGREED-UPON PROCEDURES ENGAGEMENT

A. Scope of the Engagement

The Warwick School Department implemented the Uniform Chart of Accounts (UCOA) as promulgated by the Auditor General and Commissioner of Education in accordance with Rhode Island General Law 16-2-9.4. Each municipal school district, regional school district, collaborative, or charter school, which is required to adopt the UCOA, shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements.

See Appendix A for the agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

V. PROPOSAL SPECIFICATIONS

A. Proposal Contents

The successful proposal should contain the following:

1. Name(s), Title(s) and Telephone Numbers of the Firm's Contacts
2. The Firm must review their Technical Qualifications, as stated on page 5, by noting the following:
 - a. The organization should provide a representation that they are familiar with generally accepted accounting principles for state and local government units and with the generally accepted auditing standards as promulgated by the AICPA; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, and will conduct the audit in accordance with those standards.
 - b. The private auditor must meet the independence requirements of the American Institute of Certified Public Accountants and the independence requirements of Government Auditing Standards. In accordance with these standards, the firm should provide an affirmative statement that it is independent of the City of Warwick and all component units of the City. This requirement must be complied with during the entire term of the audit.
 - c. The firm must possess a Certified Public Accountant's license and a permit issued by the State of RI Board of Accountancy.
 - d. A representation that the firm's proposal encompasses all the requirements set forth in this request for proposal, and that there exist no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards.
 - e. A profile of the firm, including:

- The size of the firm
- The size of the firm's government accounting staff
- The location of the office from which the work on the engagement will be performed
- Approximate composition of the firm's practice by service type (i.e.- audit, tax, general accounting, advisory) and by industry (i.e.-non-profit, governmental, health care, manufacturing, other)
- Current client listing
- Listing of the most significant engagements performed over the last five years – most especially municipal/school engagements
- Representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.
- Representation that the organization has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. Please include a copy of the most recent external quality control review, with a statement of whether this review included a review of specific government engagements.
- The amount and type of professional liability insurance coverage maintained. The audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million.
- A listing of professional complaints pending or resolved against the firm or any of its partners with the state boards of accountancy, or any self-regulatory, professional, or government authority including, but not limited to, the AICPA or the Rhode Island Board of Accountancy.
- A listing of lawsuits or claims against the firm, pending or resolved.
- A representational copy of the Firm's audited statements, which reflects the quality of the report.

f. Profile of the Professional Staff

- Information regarding the number, qualifications, experience, and training of the professional staff who would be assigned to the engagement
- Profile of the firm's partners and the senior accountant who would be in charge of the fieldwork. Per state standards, the senior accountant must be a certified public accountant.
- Identification of any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.
- Description of the firm's formal training process and representation that the staff has met the continuing education requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.

3. The firm should provide an explanation of the planned audit approach, including:

- Proposed segmentation of the engagement. Included here should be a detailed time budget and expected completion date for each phase.
- Level of staff and estimated hours assigned for the segments

- Sample sizes and the extent to which statistical sampling is used
- Use of EDP Software
- Type of analytical procedures used
- Approach to be taken to understand and evaluate the City's internal control structure
- Explanation of the firm's assessment of materiality

4. A completed Bid & Contract form, summarizing the following:

- The firm's fees for performing the city audit for each of the three years
- The firm's fees for performing the school audit for each of the three years
- The firm's fees for performing the school uniform chart of accounts agreed-upon procedures for each of the three years
- The firm's hourly fees for special work (for each level of the professional staff)
- The cost of a performance bond for each of the three years. (Note: This bond may be implemented at the City's discretion.)

**The City of Warwick, RI
 Proposal for Professional Auditing Services
 Bid & Contract Form
 Page 1 of 2**

I. Bid

WHEREAS, the CITY OF WARWICK has duly asked for bids for performance of the services and /or supply of goods in accordance with the above-indicated specifications.

The person or entity below does irrevocably offer to perform the services and/or furnish the goods in accordance with the specifications which are hereby incorporated by reference in exchange for the bid price below.

This offer shall remain open and irrevocable until the CITY OF WARWICK has accepted this bid or another bid on the specifications or abandoned the project.

The bidder agrees that acceptance below by the CITY OF WARWICK shall transform the bid into a contract. This bid and contract shall be secured by bond, if required by the specifications.

II. Proposed Fees for Audit Services and Agreed-Upon Procedures

| Fiscal Year Ended* | Fee For City Audit | Fee for School Audit | Fee for UCOA Agreed-Upon Procedures Engagement |
|--------------------|-----------------------|-------------------------|------------------------------------------------------|
| June 30, 2017 | \$ _____ | \$ _____ | \$ _____ |
| June 30, 2018 | \$ _____ | \$ _____ | \$ _____ |
| June 30, 2019 | \$ _____ | \$ _____ | \$ _____ |

*Note: Continuation beyond the first year of the contract shall be at the discretion of the City.
 The City reserves the right to cancel the contract.

Please do not include the cost of a performance bond in the above fee bid price. **Please list the cost of the performance bond separately below:**

| | |
|--------------------------|----------|
| Year Ended June 30, 2017 | \$ _____ |
| Year Ended June 30, 2018 | \$ _____ |
| Year Ended June 30, 2019 | \$ _____ |

The City of Warwick, RI
Proposal for Professional Auditing Services
Bid & Contract Form

Page 2 of 2

III. Hourly Fees for Special "Non-Audit" Services

| | |
|------------|----------|
| Partner | \$ _____ |
| Manager | \$ _____ |
| Specialist | \$ _____ |
| Supervisor | \$ _____ |
| Staff | \$ _____ |

IV. Firm Information

Company Name _____

Address _____

Bidder's Signature _____

Title _____

Telephone Number _____

Please Note: Any representations made with this submission will be relied upon and if proven to be false will be grounds for termination of the contract, if awarded. False representations will also be grounds for forfeiture of all payments under the contract. This will not limit the municipality from seeking other legal or equitable remedies.

State of Rhode Island

Uniform Chart of Accounts (UCOA)

Annual Compliance Testing Requirements

- Overview
- Compliance Testing Requirements
- Compliance Reporting Requirements
- Exhibit 1 – Sample Reporting Template

Office of the Auditor General

10/18/2016

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

OVERVIEW:

Each municipal school district, regional school district, collaborative, or charter school, which is required to adopt the Uniform Chart of Accounts (UCOA), shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements. The auditors engaged to perform the annual audit of the entity shall also be engaged to report on their tests of compliance with UCOA requirements in an agreed-upon procedures compliance attestation format.

A minimum sample of transactions shall be selected and tested for compliance with UCOA provisions. Additionally, selected UCOA compliance requirements shall be included within the agreed-upon procedures compliance work program.

The municipal school district, regional school district, collaborative, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education (RIDE) and the Office of the Auditor General by December 31 or at the conclusion of the annual audit if an extension has been approved by the Auditor General. For school districts, regional school districts, collaboratives, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall also be provided by December 31 for the activity related to the year ended on the preceding June 30.

COMPLIANCE TESTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29. For practitioner's reports dated on or after May 1, 2017, the guidance in the clarified attestation standards (SSAE No. 18) shall be followed – AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. Also beginning with fiscal 2017 engagements, the auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67.

- 1. A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, or charter school shall be tested for compliance with UCOA coding requirements.**

Select a sample of 35, 45, or 60 (see below) transactions from the universe of all expenditures in the final UCOA format upload file for the fiscal year as reported to the Rhode Island Department of Education (RIDE). A detailed transaction level file should be obtained from the entity's accounting system to correspond with the final UCOA upload file provided to RIDE for the preceding fiscal year. RIDE will provide a Validation Totals Report to each school district, collaborative, and charter school to confirm the final upload file information. The sample of transactions to be tested for compliance with UCOA coding shall be selected randomly from the detailed transaction file for the fiscal year.

Alternatively, the auditor may obtain a preliminary fiscal year file from the reporting entity's accounting system for purposes of selecting a sample of transactions to test. When a preliminary file is used for

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

selecting the sample, the auditor will be required to reconcile changes from the preliminary file to the final validated upload file and determine the significance of any changes and assess the validity of the sample.

Sample size shall be determined as follows:

- Smaller school districts, regional school districts, collaboratives, or charter schools having aggregate fiscal year expenditures of less than \$5 million shall utilize a minimum sample size of **35** transactions to be tested for UCOA coding compliance.
- School districts, regional school districts, collaborative, or charter schools, having aggregate fiscal year expenditures greater than \$5 million but less than \$50 million, shall utilize a minimum sample size of **45** transactions to be tested for UCOA coding compliance provided there are no significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit. School districts, regional school districts, collaboratives, or charter schools with expenditures greater than \$5 million which also have significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit shall utilize a minimum sample size of **60** transactions.
- School districts, regional school districts, collaboratives, or charter schools, having aggregate fiscal year expenditures greater than \$50 million, shall utilize a minimum sample size of **60** transactions to be tested for UCOA coding compliance.

Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified based upon UCOA classification requirements included in the Uniform Chart of Accounts guidance for the fiscal year. The segments of the account number to be tested for compliance shall include the following:

- Fund/Subfund
- Location
- Function
- Program
- Subject
- Object
- Job classification (for applicable personnel costs)

For personnel costs selected for testing, Location (school/department) and Job Classification shall be tested by tracing the employee to the entity's assignment roster for the applicable school year.

All noncompliance found in the sample of expenditure transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction and the specific noncompliance observed.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

2. UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if the entity's systems and procedures support the following UCOA requirements:

- Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school as reported in the final audited financial statements.
- The UCOA accounts and methodologies are maintained within the actual accounting systems and are not converted to UCOA requirements outside of the accounting system.

Determine if any variance exists in revenue or expenditures between the total amounts reported (uploaded) to the UCOA database and audited amounts reported within the Fund/Subfund on the financial statements of the municipal school district, regional school district, collaborative, or charter school. Any variances shall be reported. Transfers between funds on a GAAP basis (e.g., transfer of appropriations from the municipality's general fund to the unrestricted school fund) are treated as revenues in the unrestricted school fund for UCOA reporting purposes.

Note: *The reporting entity will be required to amend its UCOA upload file to include final amounts which reflect audit adjustments, if applicable.*

Determine if the amounts reported (uploaded) to the UCOA database are present in form and content within the accounting system of the reporting entity by requesting a copy of the last report of coding errors identified by RIDE just prior to the final upload with zero errors. Trace to the corrections made to the school's accounting system to address the errors. All errors shall be tested, up to a maximum of five errors if more than five errors are listed.

3. Costs for debt service and lease and rental of buildings must be recorded consistent with specific UCOA requirements. Amounts charged to Function 421 should be reconciled to the sum of expenditures considered debt service for financial reporting purposes and annual or longer term leases for rental of the main school facility (or facilities if the school has more than one location). Short-term leases should not be included in Function 421.

UCOA Rules to be Tested:

- ❖ *Debt Service related to buildings or building and land leases is included in Function 421 (Debt Service); these are **not** charged to Function 321 (Building Upkeep, Utilities, and Maintenance).*
- ❖ *Expenditures for rental of the main facility (or facilities if the school has more than one location) must be charged to Function 421 (Debt Service). This provides a level of comparability between those that rent facilities and those that own them.*
- ❖ *Annual or Longer term Leases must be charged to Function 421 (Debt Service). Short-term leases and rentals should be charged to Function 321 (Building Upkeep, Utilities and Maintenance).*
- ❖ *Short-term or revolving credit debt is included in Function 332 (Business Operations); these are **not** charged to Function 421 (Debt Service).*

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

4. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.
- Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.
- Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account.

Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1).

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

If the entity is using the intra-fund UCOA Allocation Tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.

UCOA Rules to be Tested:

- ❖ *In all cases, compensation costs and related benefit costs for each employee must be accounted for in the same Fund/Subfund – they may not cross Funds. Districts may NOT account for the compensation in one Fund/Subfund and the benefits in another. For example, if 50% of an individual's salary is charged to the General Fund and 50% to a Special Revenue Fund, then the allocations of Benefits MUST follow the exact same percentages. When related to a particular grant, if the grant is insufficient to cover all the costs, the same prorated amount for each category (compensation and benefits) shall be used up to the limit of the grant.*
- ❖ *Charges to the Location segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: For employees who perform their job requirements at multiple locations and performance of those duties requires a minimum of 20% of their time to any given Location those costs must be charged to the applicable Location accounts accordingly. If however, the performance of duties at any given Location is less than 20% of their time, charges to those locations are not required, but are permissible.*
- ❖ *Charges to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: If an employee has a "Hands-On" relationship to multiple activities being performed and performance of those duties requires a minimum of 20% of their time to any given activity (Function), those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the "Hands-On" work, is less than 20% of their time, charges to those Functions are not required, but are permissible.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110 (Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).*
- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*
- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing less than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach more than 10% of their time must record instruction time to Subject 0000 (General Education).*
- ❖ *For Short-Term Substitute Teachers (Job Classifications 1295-1299) with Function 112, use only Subject 0000 for all compensation and directly-related benefit accounts.*

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- ❖ For Long Term Substitute Teachers (Job Classification 1294) with Function 112, use the Subject for the job for which the Substitute has been engaged to teach for all compensation and directly-related benefit accounts.
- ❖ For all Substitute Teachers (Job Classifications 1294-1299) with Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace, for all compensation and directly-related benefit accounts. However, when a Substitute Teacher teaches multiple subject in a given day (e.g. Math and English), Subject 0000 may be used in place of the specific subject for which they are subbing. Use of this exception should be limited.

5. Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

- Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.
- Object 51302 represents additional payments made to a teacher for attending school-based professional development.
- Object 51303 represents additional payments made to a teacher for attending District-based professional development.
- Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

A review of union contracts and the adopted budget will provide information related to professional development to be offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to both Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Select a sample size of 5 transactions posted to Object 53301 (if less than 5 total transactions, sample all transactions). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series. (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement.)

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UCOA Rules to be Tested:

DEFINITION: Object 51113 - Professional Days. Full-time, part-time, and prorated portions of the costs for professional development days for employees of the District.

- *Include in **Object 51113** (Professional Days) the amount prorated from Object 51110 (Regular Salaries) the actual number of days included in applicable contracts and agreements relating to Professional Days or Professional Development or prorated based on the anticipated number of days if not specified in the contracts.*
- *For **Object 51113**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For each employee, use the same Location, Program, Subject, and Job Classification account number as is used with Object 51110 (Regular Salaries).*

DEFINITION: Object 51302 – Professional Development - School. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to School-based (and budgeted at the School level) professional development.

DEFINITION: Object 51303 – Professional Development - Districts. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to District-based (and budgeted at the District level) professional development.

- *For **Objects 51302 and 51303**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.*

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

For employees whose Function account is in the 100 or 200 Series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" Concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500.

*For employees whose Function account is in the 300 or 400 Series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 **only**.*

DEFINITION: Object 53301 – Purchased Professional Development and Training Services. Services supporting the professional development and training of District personnel, including instructional and administrative employees. Also applies to fees paid to consultants who attend training sessions provided by the District.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- For **Object 53301**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

Use the specific Subject account for the Subject to which Professional Development Services are rendered ("Follow the Topic"). For General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. Subjects 9700, 9800, and 9900 may not be used.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

COMPLIANCE REPORTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29. For practitioner’s reports dated on or after May 1, 2017, the guidance in the clarified attestation standards (SSAE No. 18) shall be followed – AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. Also beginning with fiscal 2017 engagements, the auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67.

The auditor shall provide a written report in accordance with the applicable sections of the Statements on Standards for Attestation Engagements and *Government Auditing Standards*, as highlighted above.

Refer to Exhibit 1 for the agreed-upon procedures and the format for reporting the procedures performed and results of testing.

Additionally, any noncompliance with UCOA requirements and the effectiveness of the entity’s internal control over compliance with UCOA requirements should be considered in drafting the Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Management comments provided to the entity should be inclusive of any recommendations to improve compliance or controls over compliance with UCOA requirements.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

EXHIBIT 1 – Sample Reporting Template

REQUIREMENT 1:

A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, or charter school shall be tested for compliance with UCOA coding requirements.

PROCEDURES:

Obtain a copy the school entity’s signed acknowledgment of the UCOA File Validation Totals Report received from the RI Department of Education (RIDE). Obtain a detailed transaction level file from the school entity’s accounting system which corresponds with the final UCOA upload file provided to RIDE.

Describe procedures for selecting the sample, the sample size selected, and the tests performed in accordance with the criteria outlined on pages one and two of this document. Please note - If a preliminary fiscal year file is used for selecting the sample, reconcile changes from the preliminary file to the final validated upload and determine the significance of any changes and assess the validity of the sample.

RESULTS:

For each instance of noncompliance, enter the transaction detail in the table below. Highlight the account number segment that is not in compliance, as shown in the example below. Describe the purpose of each transaction, the error(s), and correction(s) immediately following the table. Rows may be added or deleted from the table, as necessary.

| Item | Fund/ Subfund | Location | Func | Prog | Subject | Object | Job Class (personnel costs only) | Date | Payee | Amt | Corrected per final UCOA file |
|------|------------------|----------|------|------|---------|--------|----------------------------------------|----------|--------------------|------------|-------------------------------------|
| A | 10000000 | 05105 | 214 | 10 | 2500 | 51110 | 1712 | 03/15/12 | Nurse Employees | \$5,000.00 | Yes |
| B | XXXXXXXX | XXXXX | XXX | XX | XXXX | XXXX | XXXX | XXXXXX | XXX | \$XXXXXX | Yes/No |
| C | XXXXXXXX | XXXXX | XXX | XX | XXXX | XXXX | XXXX | XXXXXX | XXX | \$XXXXXX | Yes/No |

A – The regular salaries for nurse employees were charged to Function 214, but should have been charged to Function 216.

B -

C -

SCHOOL RESPONSE: (if applicable)

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

REQUIREMENT 2:

UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if total activity (revenue and expenditures) for the fiscal year as reported (uploaded) to the UCOA database, as of the final upload date, reconciles to the total activity within each Fund/Subfund as reported in the final audited financial statements and if the amounts reported (uploaded) to the UCOA database are present in UCOA form, content and amounts within the accounting system of the reporting entity.

PROCEDURES:

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). The following template should be used for reporting the reconciliation between the UCOA upload file and the audited financial statements. Trust and Agency Funds are to be excluded from the reconciliation.

***Please note** – Transfers between funds on a GAAP basis (e.g., transfer of appropriations from the municipality's general fund to the unrestricted school fund) are treated as revenues in the unrestricted school fund for UCOA reporting and should be reported as a proper reconciling item.*

Request from RIDE a copy of the reporting entity's last error report just prior to the school's final UCOA file upload with zero errors. Trace the errors listed on the report to the corrections made within the accounting system for the same reporting period. (Please Note - If the error report lists more than five coding errors, a maximum sample of five errors shall be tested.)

RESULTS:

Variances between the UCOA upload file and audited financial statements shall be identified in the following reconciliation template.

Describe the results from tracing the UCOA coding errors identified in the upload process to the corrections posted in the accounting system. Specifically identify in detail any coding errors that were not corrected in the accounting system.

SCHOOL RESPONSE: (if applicable)

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

| UCOA - Agreed-upon Procedures - reconciliation template | | |
|----------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------|
| UCOA annual upload file reconciled to audited financial statements | | |
| | Revenues | Expenditures/Expenses |
| Amounts from the audited financial statements (funds that include activity included in the total UCOA upload file): | | |
| Unrestricted School Fund | X | X |
| School special revenue funds | X | X |
| School capital project funds | X | X |
| School Enterprise funds (School Lunch operations) | X | X |
| Other: (identify fund) | X | X |
| Other: (identify fund) | X | X |
| Total | | |
| Adjustments/reconciling items: | | |
| Less: State share of teacher pension contribution - on-behalf payments | X | X |
| Less: State share of transportation - on-behalf payments | X | X |
| Add: Local appropriation to schools reflected as a transfer on financial statements and revenue per UCOA | X | |
| Less: indirect cost recoveries included as revenue in unrestricted school fund | X | |
| Less: GAAP recording of capital lease - capital outlay expenditures | | X |
| Add: Use of fund balance reported as revenue in UCOA | X | |
| Other reconciling items | | |
| Other reconciling items | | |
| Adjusted totals | | |
| UCOA - final upload file (including final audit adjustments) | | |
| specify upload date _____ | | |
| Adjustments/reconciling items: | | |
| | | |
| | | |
| Adjusted totals | | |
| Unreconciled variance | 0 | 0 |
| Revised October 2016 | | |

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

REQUIREMENT 3:

Costs for debt service and lease and rental of buildings must be recorded consistent with specific UCOA requirements. Amounts charged to Function 421 should be reconciled to the sum of expenditures considered debt service for financial reporting purposes and annual or longer-term leases for rental of the main school facility (*or facilities if the school has more than one location*). Short-term leases should not be included in Function 421.

PROCEDURES:

Subtotal expenditures posted to Function 421 (Debt Service) in the final UCOA upload file and compare to the amounts reported in the audited financial statements for debt service payments and rental payments under long-term lease agreements for main school facilities. Determine the reasons for any variances.

RESULTS:

Describe results.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 4:

Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- a. Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- b. The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program, or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- c. Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.

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- d. Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.
- e. Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.

PROCEDURES:

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1). Describe sample selection process. (Please note - If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.)

RESULTS:

Describe payroll system and whether the system interfaces directly with the general ledger system and whether it is designed to post directly to the proper UCOA code or if there are a significant amount of manual adjustments and journal entries to allocate payroll costs. Conclude if the entity's procedures are reasonable and sufficient to meet the payroll and related benefit requirements of UCOA.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 5:

Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

- a. Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.
- b. Object 51302 represents additional payments made to a teacher for attending School-based professional development.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- c. Object 51303 represents additional payments made to a teacher for attending District-based professional development.
- d. Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

PROCEDURES:

Review union contracts and adopted budget to identify professional development offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Describe procedures for selecting a sample of transactions posted to Object 53301 (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series.

Describe any additional procedures performed.

RESULTS:

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

* * * * *