



**COUNTY OF WATAUGA, NORTH CAROLINA
REQUEST FOR PROPOSALS
AUDIT SERVICES**

Responses Due: May 1, 2020 1:00pm

Watauga County Contact information:

Name: Misty Watson

Title: Finance Officer, Watauga County

Address: 814 West King St. Room 216

Phone: 828-265-8007

Email: misty.watson@watgov.org

Request for Proposal

The Board of Watauga County, North Carolina (hereinafter called the "County") invites qualified independent auditors (hereinafter called "auditor") having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for the Watauga County to reimburse firms for any expenses incurred in preparing proposals in response to this request.

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

Type of Audit

1. The audit will encompass a financial and compliance examination of the unit's Comprehensive Annual Financial Report (CAFR) in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; Government Auditing Standards, July 2018 revisions; the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State Single Audit Implementation Act; and all other applicable laws and regulations.

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

3. The financial audit opinion will cover the financial statements for the governmental activities, the business-type activities, each major fund, discretely presented component units (as applicable) and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The auditor shall express an opinion on the budgetary comparison information for the General Fund, annually budgeted major and special revenue funds. An opinion will not be given on the Management Discussion and Analysis.

The working papers shall be retained and made available upon request for no less than three years from the date of the Audit report.

4. The audit will also include the following:
 - a. Pre-planning conference with Finance staff where both the auditor and Finance staff discuss their expectations of the audit.
 - b. Interim audit work prior to July 31st and/or prior to final close.
 - c. Attendance at the Board of Commissioners meeting in late October for presentation of the financial statements by Manager or Partner of the Audit Staff with comments and potential questions from the Board as requested.
5. The audit should encompass all funds and entity-wide activities as reported in the County's audit report at June 30, 2019 and any additional funds or entity-wide activities that may be added subsequent to that date.
6. If required, the audit firm will issue a management letter to the Board of Commissioners after completion of the audit and assist management in implementing recommendations, as is practical. County staff also request that an informal letter be addressed to the Finance Officer with any efficiency, internal control or accounting improvements that could be made based on the audit staff's observation during their fieldwork. All content must be discussed with the Finance Officer prior to issuance.
7. The County staff may require the auditor's guidance or input on the completion of certain schedules/documents as to proper format and content, so that they can be used in the audit process as well as inclusion in the County's financial statements. Guidance may be required for new note disclosures, all outstanding and effective authoritative standards and other reporting requirements at June 30 year-end. Cost for providing these services should be included in the auditor's base fee quote and will not be considered extra for additional billings. In cases, however, where services requested would require a more in-depth scope and require work significantly above the original fee quote, such additional fees must be negotiated prior to commencement of work.

Auditor Requirements

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

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

The Watauga County audit engagement must be conducted in accordance with Generally Accepted Auditing Standards (GAAS); Government Auditing Standards, 2018 revisions, issued by the Comptroller General of the United States; and if applicable, the U. S. Office of Management and Budget's (OMB) Uniform Guidance and, if applicable, the State Single Audit Implementation Act, and any other applicable procedures for the audit of a local government's financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). By accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in Government Auditing Standards. **The Auditor must provide a copy of their most recent peer review report with their proposal.**

The County Finance Director will prepare an electronic draft audit report by mid-October. The auditor will communicate all recommendations, revisions and suggestions for improvement to the Finance Director. The Finance Director will complete the review of the comments as expeditiously as possible. Once all issues for discussion are resolved and the auditor provides opinions and compliance reports, the Finance Director will deliver the final electronic draft of the CAFR to the auditor. The auditor will complete and submit the necessary Single Audit information to the Federal Audit Clearinghouse on behalf of the County.

Meeting LGC deadlines is a high priority for the County. Therefore, Watauga County prefers interim fieldwork be completed in late May or early June, at the latest. Year-end fieldwork should begin by or before mid-August and be completed by late September. While many documents can be shared electronically, the County expects that the audit firm staff will be onsite for fieldwork, including manager and partner level staff for at least a portion of the onsite work. **An agreed upon post-closing trial balance must exist by October 31.** The Finance Officer will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

The timing of the draft and review should insure final completion of the Financial Statements by the annual October 31st deadline or no later than the annual grace period of December 1.

The auditor is responsible for completing the required data input sheet and electronically submitting the final Audit report/ CAFR as a text-based PDF file to the State & Local Government Financial Division when (or prior to) submitting the final invoice for audit services rendered to the Commission.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.

Either the manager or partner of the audit staff is required to present and attend the Board of Commissioners' meeting in which the Audit report is presented. Required communications to the Council can be delivered at this point, as well as general comments regarding the audit process and the results of the audit. Finance staff will coordinate this presentation and determine the date and time of the meeting, typically held in late October following the audit completion.

Audit Contract: Period & Payment of Audit Fees

The County intends to continue the relationship with the auditor for no less than three (3) years starting with fiscal year ending June 30, 2020. Continuation after the first-year contract will be based on an annual review of the Auditor, recommendation of the department staff, satisfactory negotiation of terms (including price), and availability of an appropriation. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. After the initial three-year period, an annual extension may be granted by the County based on the above-mentioned criteria and Board of Commissioners (Board) concurrence for up to two additional years or until a determination is made to request new proposals. The years identified under this RFP are:

July 1, 2019 to June 30, 2020
July 1, 2020 to June 30, 2021
July 1, 2021 to June 30, 2022

The required current revision of the form "Contract to Audit Accounts" (form LGC-205) is required to be executed as the contract document; however, the auditor and the County may also execute an engagement letter and/or a County contract to include additional terms not addressed in the LGC-205. The entire audit contract package must be approved by the staff of the Local Government Commission. Invoices are subject to approval by the LGC prior to payment by the County. Interim or progress billings for services rendered marked approved by the LGC will be paid up to 75% of the total fee prior to submission of the final audited financial statements to the staff of the Local Government Commission. The final 25% of the Audit fees (final invoice) will be paid when the financial statements, single audit (if applicable), management letter and amended contract (if applicable) have been reviewed or approved by the LGC.

The LGC only approves invoices for audit related work. Requests for payment related to any additional agreed upon procedures or AFIR work do not require LGC approval. Final invoices for these services will be paid after the final report results and findings have been reviewed and deemed satisfactory by County staff.

Description of Selection Process

Submission of Questions Concerning RFP

After the proposal issue date, all communications between the County and prospective Auditors regarding this RFP shall be in writing. Any inquires, requests for interpretation, technical questions, clarification, or additional information shall be directed to Misty Watson by emailing misty.watson@watgov.org. Questions and responses affecting the scope of the services will be provided to Auditors by issuance of an Addendum which will be posted to the County's website at wataugacounty.org. This information will also be emailed to all audit firms who have submitted their intent to bid and contact information. All questions shall be received no later than 5:00 P.M., April 24, 2020.

Bidders may not have communications, verbal or otherwise, concerning this RFP with any County personnel or officials, other than the persons listed in this section.

Potential respondents should email misty.watson@watgov.org to acknowledge receipt of the RFP and to inform the County of its intent to respond. Provide the name, title, address, telephone and email address of the individual who can address inquiries related to this RFP and the respondent's proposal.

Proposals must be submitted in two sections and must be physically signed by an authorized representative of the Audit firm. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits. The second section will consist of completed cost estimate sheets. The Finance Office staff will evaluate the auditor/firm on educational and technical qualifications. The firm best meeting the County's expectations for experience, audit approach, and cost requirements will be selected.

Please keep in mind that cost, while an important factor will not be a sole determining factor. Unusually low bids that are obviously out of line with other bidders or are significantly lower than out current fees will raise concern. The lowest bid will not automatically be awarded preferential consideration.

The County reserves the right to reject any or all bids, waive technicalities, and to be the sole judge of suitability of the services for its intended use and further specifically reserve the right to make the award in the best interest of the County.

Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid. Firms must be registered with the North Carolina State Board of CPA Examiners.

Section 1 - Profile of the Firm

The first section should address the requested information below. The corresponding responses should begin with the number below for the requested information.

1. Indicate the Audit firm's North Carolina office location(s) that will handle the audit.
2. Indicate the number of people (by level) located within the Audit firms local office that will handle the audit.
3. Provide a list of the audit firms' local office's current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each.
4. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.
5. Describe your audit organization's participation in AICPA sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.
6. Describe the professional experience in governmental audits of each senior and higher level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site.
7. Describe the relevant experience and education with the new GASBS reporting requirements, seminars and courses attended within the past three years. Courses in governmental accounting and auditing should be clearly communicated.
8. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., Water/Sewer service functions).
9. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.
10. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contracted for a reference.
11. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2018 Revision. Provide a copy of the firm's Statement of Policy and Procedures.

12. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
13. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
14. Comment on your knowledge of and relationship with the NC Local Government Commission and the University of North Carolina School Of Government in Chapel Hill.

Section 2 – Audit Approach

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

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of automated processes and internal control testing methods
4. Use of computer audit specialists.
5. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
6. Information that will be contained in the management letter.
7. Assistance expected from the government’s staff, if other than outlined in the RFP.
8. Tentative schedule for completing the audit within the specified deadlines of the RFP.
9. Specify costs using the format below for the audit year July 1, 2019 to June 30, 2020. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2020 is binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to- exceed” amount.
 - A. Audit firm personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
 - 1) Estimated hours: please categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor’s office.
 - 2) Rate per hour.
 - 3) Total cost for each category of personnel and for all personnel costs in total.
 - B. Travel – itemize transportation and other travel costs separately.
 - C. Cost of supplies and materials – itemize.

D. Other costs – completely identify and itemize.

1) If applicable, note your method of determining increases in audit costs on a year to year basis

10. Please list any other information the firm may wish to provide.

11. Please include the Summary of Audit Costs Sheet with your proposal.

Time Schedule for Awarding the Contract

RFP Release Date	<i>April 16, 2020</i>
Deadline for RFP Questions *	<i>April 24, 2020 by 5:00 pm</i>
Questions to be Answered No Later Than	<i>April 29, 2020 by 5:00 pm</i>
Deadline for Receipt of Proposals **	<i>May 1, 2020 by 1:00 pm</i> Watauga County, Finance Department Attn: (Misty Watson), Finance Officer Address of unit 814 West King St. Room 216 Boone, NC 28607
Notice of Recommended Firm	<i>May 5, 2020</i>
Council Approval	<i>May 19, 2020</i>

*Any questions should be directed to (Misty Watson), Finance Officer, at (828) 265-8007 or misty.watson@watgov.org. Appointments may be scheduled to discuss further any specific matters necessary in preparing your proposal.

** Proposals can either be submitted electronically (email) to misty.watson@watgov.org or on paper by May 1, 2020 by 1:00 pm. Envelopes containing proposals on paper should be clearly identified on the front with the words "RESPONSE TO RFP FOR AUDIT SERVICES".

- Please note your email should include two separate pdf attachments for sections 1 and 2
- Envelopes should include Three copies of the bound proposal (clearly separating section 1 and 2) should be delivered to: Misty Watson; 814 West King St, Room 216; Boone, NC 28607.

Watauga County reserves the right to request additional information deemed necessary to aide in the selection process.

The evaluation and selection criteria and process contained in this RFP will be used by the Review Committee, consisting of the County Manager and the Finance Director to evaluate the Proposals.

The Finance Director plans to report the evaluation outcome to the Board of Commissioners and seek the Watauga County Board of Commissioner's concurrence and authorization to consider entering into an agreement with the selected Prospective Auditing Firm at the May 19, 2020 Commissioners meeting. The County will enter into a contract with the Prospective Auditing Firm that is selected by the Watauga County Board of Commissioners.

Description of the Governmental Entity and Its Accounting System

Reference should be made to the most recent CAFR/Audit report for a general overview of the County. A PDF copy of the most recent CAFR/Audit report is located on the County's website see below or by emailing misty.watson@watgov.org.

The following organizations will be discretely presented component units in the CAFR:

Watauga County District U Tourism Development Authority

AppalCART

A separate report is issued by the TDA and AppalCART and the related audit engagement is by separate contract.

Funds

Watauga County maintains the following funds:

Governmental Funds

 General Fund

 Capital Projects Fund

 Recreation Center Project Fund

 Special Revenue Funds

Enterprise Funds

 Solid Waste Fund

Agency Funds

Irrevocable Trust Funds

Grants, Entitlements, and Shared Revenues

A copy of the Schedule of Federal and State Expenditures and a Summary of Auditor's Results showing the major programs for the year ended June 30, 2019 can be found in the audit report located on the County's website.

Budgets

The County annual budget is adopted for the General Fund, Public Assistance Fund, Capital Projects Fund, Debit Service Fund Special Revenue Funds and the 1 enterprise fund. Multi Year project ordinances are prepared for Capital Project funds. All budgets are prepared using the modified accrual basis of accounting. All appropriations for annually budgeted funds are made at the departmental level and at the project level for the multi-year funds. The County also maintains an encumbrance system. Both the budgetary and encumbrance systems are integrated with the

accounting system to provide comparison with actual expenditures.

Accounting Records

The County maintains all its accounting records at the finance office located at 814 West King St. Room 216; Boone, NC 28607. All accounting journals and subsidiary ledgers are maintained on Munis software.

Assistance Available to Auditor

The County will designate an individual that understands the services to be provided in accordance to GAGAS §3.73 (GAGAS 2018 Revision)

The County will make available to the auditor sufficient help to pull and re-file records, and prepare necessary confirmations. An electronic version of the trial balance with budgeted amounts will be made available in late August. The following accounting procedures will be completed and documents prepared by the County's staff no later than October 31.

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

The County's personnel will prepare the following items:

General

1. Working Balance Sheet for each fund.
2. Working Statement of Revenues, Expenditures, and Transfers for each fund.
3. Working Statement of Cash Flows where required.
4. General Ledger transaction detail report for each account.
5. A copy of the original budget, all amendments, and the final budget as of June 30, 20xx.
6. A copy of all project ordinances and all amendments for active projects during the audit period.
7. A copy of board policies, including travel and investment policies, debt policies, fund balance policies and purchasing policies including how the pre-audit process is performed.
8. Copies of all signed Board meeting minutes.
9. Copies of all correspondence with the staff of the Local Government Commission, including semiannual Cash and Investment Reports (LGC-203), unit letters, letters regarding the audited financial statements and compliance reports for the previous year.
10. Required supplementary information, e.g. actuarial information for the Law Enforcement Officers' Separation Allowance and Other Postemployment Benefits (OPEB)

Cash and Investments

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

Receivables

1. Listing of unpaid tax bills in detail totaled by year as of fiscal year end.
2. Listing of outstanding receivables by account as of the fiscal year end.
3. Listing of outstanding receivables in detail as of the fiscal year end.
4. Schedule of miscellaneous receivables booked as of the fiscal year end.

Other Assets

1. Schedule of insurance coverage.

Capital Assets

1. Listing of fixed assets by function and activity with supporting schedule of changes in fixed assets and supporting detail of additions, retirements and transfers.
2. Printout of all capital asset acquisitions made during the audit year and CIP placed in service.
3. Printout of all capital asset dispositions made during the audit year.
4. Printout of depreciation expense posted for the audit year.

Current Liabilities

1. Schedule of accounts payable and accrued accounts payable.
2. Schedule of reserve for encumbrances.
3. Schedule of accrued payroll.
4. Schedule of calculation of health insurance and workman's compensation liabilities.
5. Schedule of retainage payable.

Long-Term Debt

1. Computation of vested vacation payable as of the audit date.

2. Debt Schedule for each debt issue and related payments.

Grants

The following will be compiled for each grant:

1. Grant agreement.
2. Grant Budget.
3. Schedule of Expenditures of Federal and State Awards.
4. Correspondence with the grantor agency, including monitoring reports.
5. CFDA # and/or pass-through grant #.
6. Summary Schedule of Prior Audit findings (if applicable)
7. Corrective action plan for each audit finding that will be presented on the Schedule of Findings and Question Costs on County letterhead (if necessary)

Conversion

1. Entries to convert from fund to government-wide statements
2. Working Statement of Net Position
3. Working Statement of Activities
4. Allocation of depreciation among functional areas
5. Computation of additions and retirements of compensated absences
6. Reconciliation of fund and government-wide statements
7. Worksheet for determination of major funds
8. Worksheet of combining statements for non-major funds

Size and Complexity of County Personnel/Payroll

Number of employees	<u>275</u>
Frequency of payroll	<u>biweekly</u>
Number of payroll direct deposit advises	<u>275</u>

Property Tax

Total dollar amount of most recent year's collections	<u>\$ 32,271,275</u>
Total dollar amount of levy	<u>\$ 32,592,547</u>

Purchasing

Number of purchase orders issued (FY 2019)	<u>164</u>
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Bank Accounts

Number of bank accounts	<u>13</u>
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The following financial applications are on the computer system:

General Ledger
Accounts Payable
Project Accounting
Payroll
Capital Assets
Cash Receipts
Accounts Receivable

SUMMARY OF AUDIT COSTS SHEET

- 1. Base Audit – Watauga County
 - a. Includes Personnel costs, travel, and on-site work \$ _____

 - 2. Extra Audit Service
 - a. \$ _____ per hour
\$ _____
 - 3. Other: (explain) \$ _____
 - a. _____

 - 4. Other: (explain) \$ _____
 - a. _____
- TOTAL** \$ _____

FIRM:	Primary Contact:
Address:	Telephone:
	Fax:
	E-mail:
	Date:

PROPOSAL CERTIFICATION

Proposers

Signature _____ **Date** _____

By Signing above I Certify that I have carefully read and fully understand the information contained in this RFP; and that I have the capability to successfully undertake and complete the responsibilities and obligations of the Proposal being submitted and have the authority to sign Proposal on behalf of my organization.

BY (Printed): _

-

TITLE: _

-

COMPANY:

_ ADDRESS: _____

TELEPHONE: _

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EMAIL:
