

**Town of Glocester, Rhode Island  
Request for Proposals  
2018-02**

**2018-02 Town of Glocester, Rhode Island**

**1145 Putnam Pike  
P.O. Box B  
Chepachet, RI 02814**

**Phone: (401) 568-6206 Ext 5  
Fax: (401) 567-4554  
Web: [www.glocesterri.org](http://www.glocesterri.org)**

**Request for Proposals  
2018-02  
Professional Auditing Services  
Agreed-Upon Procedures Services**

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

Five (5) sets of the above sealed proposal will be accepted in the Treasurer's Office at:

Town of Glocester  
Treasurer's Office  
1145 Putnam Pike  
P.O. Box B  
Chepachet, RI 02814

until 3:00 p.m. on Thursday April 26, 2018, and will then be publicly opened and read. **NO PROPOSALS WILL BE ACCEPTED AFTER THE 3:00 p.m. DEADLINE.**

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

The Town will provide interpreters for the hearing impaired at the bid opening, provided a request is received three (3) days prior to said meeting by calling 401-568-6206, ext. 5

Diane L. Brennan, Director of Finance

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**I. INTRODUCTION**

A. General Information

The Town of Glocester, Rhode Island (Town) is requesting proposals from qualified public accounting firms or certified public accountants to audit its financial statements for the fiscal year ending June 30, 2018 with the option of an additional 2-year extension to fiscal years ending June 30, 2019 and June 30, 2020. **Any amendments to the contract for additional work will be negotiated in good faith. Provided however in the event that the parties cannot mutually agree on any additional work to be performed and the cost for said work, then the Town, at its option may, rescind the option period (the additional two years).**

These audits are to be performed in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants, the audit should be conducted in accordance with the standards as set forth in the Government Accountability Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act 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 Glocester School Department implemented the Uniform Chart of Accounts (UCOA). The auditors engaged to perform the annual audit of the Town shall also be engaged to report on their tests of compliance with the School UCOA requirements in an agreed-upon procedures compliance attestation format.

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

Any inquiries concerning the request for proposals should be addressed in writing to Diane L. Brennan, Director of Finance. To be considered, five (5) copies of a proposal must be received in the Treasurer's Office in the Town of Glocester, Treasurer's Office, 1145 Putnam Pike, P.O. Box B, Chepachet, RI, 02814, by 3:00 p.m. on **Wednesday April 18, 2018**. The Town reserves the right to reject any or all proposals submitted.

During the evaluation process, the Town reserves the right, where it serves the Town's best interest, to request additional information or clarifications from proposers or to allow corrections of errors or omissions. At the discretion of the Town, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Town reserves the right to reject any and all bidders if it deems the bidder does not possess the personnel, experience or other resources to complete the audit in accordance with the audit specifications.

The Town reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically

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noted in the proposal submitted and confirmed in the contract between the Town and the firm selected.

Any representations made with the submission will be relied upon and if proven to be false will be grounds for termination of the contract, if awarded. This will not limit the municipality from seeking any other legal or equitable remedies.

It is anticipated the Glocester Town Council will complete the selection of a firm no later than **May 3, 2018**. Following the notification of the selected firm it is expected a contract will be executed between both parties within 30 days of approval.

**B. Terms of Engagement**

Continuation beyond the initial fiscal year of the three-year contract will be at the discretion of the municipality. The three (3) year contract will be contingent upon the satisfactory negotiation of terms (including a price acceptable to both the Town and the selected firm).

Following completion of the fiscal year 2018 audit, should the Town find that the firm has failed in any material respect to perform its agreed upon obligations under the agreement, the agreement shall be canceled by the Town as being in the best interest of the Town. In the event of termination of this agreement as a result of a breach by the firm there under, the Town shall not be liable for any fees and may, at its sole option, award an agreement for the same services to another qualified firm with the best proposal, or call for new proposals and award the agreement there under. The firm shall be responsible for direct and consequential damages as a result of its breach, including, but not limited to, extra costs required under the new agreement for similar services.

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**II. NATURE OF AUDIT SERVICES REQUIRED**

A. General

The Town is soliciting the services of qualified public accounting firms or certified public accountants to audit its financial statements for the fiscal year ending June 30, 2018 with the option of additional extensions to fiscal years June 30, 2019 and June 30, 2020 contingent upon satisfactory completion. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The Town desires the auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles.

The financial statements to be presented, audited and reported upon are the basic financial statements - government-wide financial statements, fund financial statements for governmental, proprietary, notes to the financial statements, and supporting schedule as of June 30 of the audit year.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information as required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

Required Supplementary Information shall include:

- Management's Discussion and Analysis
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
- Schedules related to defined benefit pension plans and OPEB plans, if applicable

The Town of Glocester also desires the auditor to express an "in-relation-to" opinion on the supplementary financial statements and schedules based on the auditing procedures applied during the audit of the basic financial statements.

Supplementary financial statements, schedules and information shall include:

- 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

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special revenue funds, in accordance with generally accepted accounting principles, and are merged with the General Fund for financial reporting purposes.

The auditor is not required to audit the supplementary schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

If applicable, an audit of major programs shall be performed in accordance with the criteria outlined in OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

Other schedules may be required by the Town 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

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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. The Town of Glocester is a Phase I pilot and implemented the above requirements for the fiscal year ended 2016.

The auditor is not required to audit the statistical section of the report.

Attendance at a minimum of one Town Council and one School Committee meeting each year, for the purpose of discussing the audit and the management letter and its conclusions may be required.

C. Auditing Standards To Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with:

auditing standards generally accepted in the United States of America, the standards for financial audits set forth in the U.S. Government Accountability Office's *Government Auditing Standards*, the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue draft copies of all audit reports and the management letter shall be submitted to the Town and School Department Officers of the Town of Glocester prior to the exit conference so that there will be adequate time for review.

The final report and 25 signed copies are to be provided along with a copy of the report in electronic format (an Adobe PDF file) for posting on the Town's web site. The final report shall also be delivered to the State Auditor General and the State Director of Revenue within six months after the close of the fiscal year. A copy of final written correspondence between the

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audit firm and those charged with governance shall also be delivered to the State Auditor General.

The following reports that are required, but are not limited to, be included:

- 1) Report on the fair presentation of the financial statements in conformity with generally accepted accounting principles based on an audit performed in accordance with generally accepted auditing standards and Government Auditing Standards. The auditor shall also make reference to, but not opine on, required supplementary information consistent with reporting guidance in the applicable AICPA Audit Guide;
- 2) Report on supplementary financial statements, schedules and information are fairly stated in all material respects in relation to the basic financial statements as a whole;
  - The supplementary information shall include the Annual Supplemental Transparency Report (including the reconciliations), MTP2, and the Tax Collector's Annual Report;
- 3) 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;
  - Reports on compliance and internal controls, the auditor shall communicate any significant deficiencies found during the audit. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance;
  - Significant deficiencies that are also material weaknesses shall be identified as such in the reports. Other matters discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls;
  - The reports on compliance and internal controls shall include all material instances of noncompliance. All non-material instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.
- 4) Reports required under separate agreements such as grants or trusts;
- 5) Reports and summaries related to federal financial assistance as required by OMB Guidance (the auditor should refer to applicable OMB guidance in effect and the applicable AICPA Audit Guide for reporting guidance);
- 6) Any other reports that may be required by the Town and/or the State of Rhode Island Director of Revenue, Department of Education or as required by the applicable section

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of the general laws such as education related reports required by the R.I. Department of Education. Note that these reports must be submitted to conform to RI Department of Education deadlines;

Submission of a *Management Letter* upon completion of the audit to the Town Council of the Town of Glocester with copies to the Director of Revenue and the Auditor General is required. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:

Policies, procedures and practices employed by the Town; weaknesses in the internal controls that are not "significant deficiencies;" use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner; and compliance with state laws pertaining to the Town and with rules and regulations established by the Town.

Fraud and illegal acts. Auditors shall be required to make an immediate, written report of all fraud and illegal acts or indications of illegal acts of which they become aware to the Glocester Town Council.

Auditors shall assure themselves that the Town Council of the Town of Glocester is informed of each of the following:

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

E. Special Considerations

1. The Town will send its comprehensive annual financial report to the *Government Finance Officers Association of the United States and Canada* for review in their *Certificate of Achievement for Excellence in Financial Reporting* program. It is anticipated that the auditor will be required to provide special assistance to the Town to meet the requirements of that program, including but not limited to, response to CAFR review comments.
2. The *Schedule of Expenditures of Federal Awards* and related auditor's report, as well as the reports on compliance and internal controls are to be issued as part of the comprehensive annual financial report.
3. Assistance in implementation of *Governmental Accounting Standards Board* statements as applicable.

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F. Audit Documentation Retention and Access to Audit Documentation

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

The contract between the Town and the audit firm or auditor selected will require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his designee). This information includes but is not limited to financial data, analysis, audit documentation, and memorandum. Audit documentation of the independent auditors shall be made available to the Auditor General (or his designee) upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

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**III. NATURE OF AGREED-UPON PROCEDURES SERVICES REQUIRED**

The Gloucester School District has 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 H for the current agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

**IV. DESCRIPTION OF THE GOVERNMENT**

A. General

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

An organizational chart (Appendix B) and a list of key personnel with the location of their principal offices (Appendix C) are attached.

B. Background Information

The Town of Gloucester serves an area of fifty-four square miles with a population of 9,746 (2010 Census). It is a rural community approximately 15 miles northwest from Providence. The Town operates under a home rule charter adopted in 1991, and subsequently amended, providing for a Town Council form of government with a five-member Town Council by the Charter, including the adoption of the Town budget, the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the Town.

The Town provides the following services to its citizens:

**Public Safety** (Law Enforcement, Code Enforcement, EMA)

**Education** (Kindergarten through Grade 5, note: Grades 6 through 12 are served by the Foster-Glocester Regional School District)

**Public Works** (Road maintenance, recycling and solid waste disposal services (at a Transfer Station), parks and facilities maintenance)

**Recreation** (two beaches, youth, and adult activities)

**Senior Services** (Senior Center)

**Social Services** (Transportation for medical visits, food bank, and heating fuel oil assistance)

The Town has a total payroll of 7,786,441 covering approximately 150 full and regularly scheduled part-time employees (excludes seasonal and non-regular part-time employees).

	<u>Payroll</u>	<u>Reg</u>	<u>Reg p-t</u>	<u>Seasonal</u>
Town	\$2,881,678	53	15	29
School	4,904,263	76	10	0

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The Town's approved General Fund operating budget for FY 2018 (July 1 through June 30), excluding the schools is \$7,205,952. The School budget for FY 2018 is \$10,047,720.

The Town is organized into twelve departments. The accounting and financial reporting functions of the Town are centralized.

More detailed information on the government and its finances can be found on the Town's Web Site [www.glocesterri.org](http://www.glocesterri.org) including but not limited to:

**ANNUAL FINANCIAL REPORT  
<http://www.glocesterri.org>**

*Please contact Diane L. Brennan at 401-568-6206, ext. 5 to obtain access to the above document if a hard copy is required.*

C. Fund Structure

The Town uses the following fund types and account groups in its financial reporting:

Fund Type	Number of Individual Funds	Number with Legally Adopted Annual Budgets
General Fund	1	1
Special Revenue Funds	33	1
Debt Service Funds	1	
Capital Projects Funds	12	
Permanent Funds	1	
Enterprise Funds	1	
Internal Service Funds	0	
Private-Purpose Trust Funds	0	
Agency Funds	0	

Also included in the audit is the Glocester Land Trust, a component unit

D. Budgetary Basis of Accounting

The budgets of the general government type funds (for example, the general fund, school fund, and debt service fund) are accounted for using the modified accrual basis of accounting. This means that obligations such as outstanding purchase orders at year-end are recognized when the purchase is made. Their revenues are recognized when they are received.

The Town's only enterprise fund (school lunch program) is budgeted on a full accrual basis. Expenditures are recorded when the commitment is made, such as when a purchase order is issued. Revenues are recognized when they are obligated to the Town.

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The Town's Comprehensive Annual Financial Report (CAFR) shows the status of the Town's finances on the basis of Generally Accepted Accounting Principles (GAAP). Revenues and expenditures are shown on both a GAAP basis and budget basis for comparison purposes.

E. Federal Awards

During the previous fiscal year 2017, the Town received and expended federal awards. A detailed listing may be obtained from the Town's prior year audit report.

F. Pension Plans

The Town participates in the Employees' Retirement System of Rhode Island pension plans.

G. Joint Ventures

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

H. Magnitude of Finance Operations

By Town Charter the financial accounting functions are under the direction of the Director of Finance. The Finance Department maintains the formal official Town accounting records. However, the administering departments keep additional supporting documentation of the operations of the programs. The Finance Department consists of four (4) divisions under the management of the Director of Finance: Treasurer's Office, Personnel Office, Tax Assessor's Office, and the Tax Collector's Office. In FY 2017 the department has 8 employees with an annual budget of \$727,885.

I. Computer Systems

Hardware

<u>Type of Equipment</u>	<u>Number</u>	<u>Make of Equipment</u>	<u>Networked</u>
SAN	1	NetAPP	Yes
Servers	3	Dell	Yes
PC Workstations	64	Dell	Yes
Laptops/MDTs	21	Dell/Patrol PC	Yes

Software / Vendor

Applications

Great Plains / Microsoft	Financial including payroll, general ledger, payables
Vision Government Solutions	Tax Collection, Tax Administration
Vision Government Solutions	Real Estate Appraisal
Certified Revaluation Co	Personal Property
Tritech Perform Software	Police & Fire dispatching and records

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**V. TIME REQUIREMENTS**

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

- Request for proposal issued **April 14, 2018**
- Written questions submitted by proposers No Later than **April 18, 2018**
- Written responses to proposer's questions mailed **April 20,2018**
- Due date for proposals **April 26, 2018** by 3:00 p.m.

B. Notification and Contract Dates

- Selection & Notification **May 1, 2018**
- Award by Town Council **May 3, 2018**
- Contract Executed Within 30 days of appointment

As evidenced by the above schedule, the Town will accept questions or requests for clarification on this RFP **only in writing**. Proposers must mail, fax or e-mail their questions in the manner as described in *Section VII. A1. Inquiries* below. Questions or requests for clarifications must be received by the Town's Director of Finance no later than Tuesday, March 20, 2018. Written responses to the questions/requests for clarifications will be sent to all potential proposers via first class mail, fax or e-mail on Wednesday, **April 20, 2018, NO PHONE CALLS PLEASE.**

C. Schedule for the 2018 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if the Town exercises its option for additional audits).

The auditor should complete each of the following no later than the dates indicated:

1. **Interim Work (such as State school requirements)**  
The successful proposer shall complete interim work as required by State of RI, Department of Education.
2. **Detailed Audit Plan**  
The firm shall provide the Town by August 1<sup>st</sup> both a detailed audit plan and a list of all schedules to be prepared by the Town.
3. **Fieldwork**  
The firm shall complete all fieldwork by October 15<sup>th</sup>.
4. **Draft Reports**  
The firm shall have drafts of the audit report[s] and recommendations to management available for review by November 1<sup>st</sup>.

D. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be

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developed for future fiscal years if the Town exercises its option).

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

	<u>Month of</u>
Entrance conference with all key finance department personnel	July
The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the firm.	

Conference with Director of Finance	July
The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested.	

Progress conference	Late August
The purpose of this meeting will be to discuss the year-end work to be performed.	

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

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

**September 15<sup>th</sup> and October 15<sup>th</sup>**

E. Date Final Reports are Due

A draft auditor's report shall be delivered to the Town by November 1<sup>st</sup>.

The Town will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed two weeks. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Town within fourteen working days. It is anticipated that this process will be completed and the final report delivered by November 30<sup>th</sup>.

The final audit report and 25 signed copies should be delivered to the Director of Finance at Glocester Town Hall, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

The final agreed-upon procedures report and 25 copies shall be delivered to the Director of Finance at Glocester Town Hall, 1145 Putnam Pike, Chepachet, Rhode Island 02814.

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Auditors should have performed the test work necessary to complete the UCOA Agreed-Upon Procedures before issuing the audit report. The Auditor shall provide the agreed-upon procedures report along with the audited financial statements to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or communication of the results of the UCOA Agreed-Upon Procedures engagement can follow, but not later than 30 days after completion of the financial statement audit.

**VI. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

A. Statements and Schedules and other pertinent information to be prepared by the staff of the Town of Glocester

The staff of the Town will prepare or provide the following statements and schedules for the auditors as follows:

- Copy of each budget and amendment adopted for the period under audit.
- A copy of, or access to, the minutes of each Town Council meeting held during the period under audit.
- An Organization chart.
- Detail of balance sheet and subsidiary account activity.
- Bank reconciliation for all accounts.
- Check registers for all funds.
- Analysis of accounts as requested.
- Investment activity schedules.
- Debt Schedules
- A list of outstanding encumbrances that were closed out and included in the succeeding budget.
- Payroll records
- Schedule of Compensated Absences
- All contracts and agreements entered into by the Town and School Department, including bond agreements, union contracts, leave agreements, lease agreements, etc.
- A trial balance for each fund reconciled to general ledger balances with appropriate supporting documents for each balance sheet account.
- CAFR statistical tables.

B. General

The Town will provide certain staff assistance to the successful proposer. Office space will be provided in close proximity to the financial records. Telephones will be made available as well as the use of a copy machine during the engagement. Town staff will make files and documents available to the firm. Pulling and re-filing of documents and invoices is the responsibility of the Town. The firm will be required to provide its own equipment and other office materials.

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C. Report Preparation

Report preparation, based on the trial balance prepared and provided by the Town, editing and printing shall be the responsibility of the firm.

**VII. PROPOSAL REQUIREMENTS**

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made in writing to:

Diane L. Brennan, Director of Finance  
Town of Gloucester  
1145 Putnam Pike  
P.O. Box B  
Chepachet, RI 02814

Phone (401) 568-6206, ext 5  
FAX (401) 567- 4554  
E-Mail dbrennan@glocesterri.org

2. Submission of Proposals

The following material is required to be received by 3:00 p.m. on **April 26, 2018** for a proposing firm to be considered:

a. A master copy (so marked) proposal and four copies to include the following:

i. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal stating briefly the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for the three audit periods.

iv. Detailed Proposal

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The detailed proposal should follow the order set forth in Section VII B of this request for proposals.

v. Guarantees and Warranties

Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposal (Appendix D and Appendix E)

- b. The proposer shall include an original and four copies of a dollar cost bid clearly marked as follows:

**REQUEST FOR PROPOSALS**  
**2018-02**  
**Town of Glocester, Rhode Island**  
**FOR**  
**PROFESSIONAL AUDITING SERVICES**  
**AGREED-UPON PROCEDURES SERVICES**

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

Town of Glocester  
Treasurer's Office  
1145 Putnam Pike  
P.O. Box B  
Chepachet, RI 02814

B. Technical Requirements

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit and agreed-upon procedures of the Town in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify the approach that will meet the request for proposals requirements.

The Technical Proposal should address all the points outlined in the request for proposals. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following audit services

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requirements in items Nos. 2 through 11, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that is independent of the Town of Glocester as defined by generally accepted auditing standards/the U.S. Government Accountability Office's *Government Auditing Standards*.

The firm must meet the independence requirements of the American Institute of Certified Public Accountants and the independence requirements of Government Auditing Standards.

3. License to Practice in Rhode Island

The firm selected for the audit shall be a firm of certified public accountants holding a valid certification in the State of Rhode Island or from another state having equal professional standards. Proposer must include the current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of fieldwork.

4. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

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

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The proposer shall identify any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.

The proposer must have an appropriate internal quality control system in place and participate in an external quality control review program as required by Government Auditing Standards. The firm is also required to submit a copy of the report on its most recent external quality control review, and also submit the results of any subsequent review performed during the term of the contract, with a statement whether that quality control review included a review of specific

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government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits.

The firm shall provide a list of any professional complaints pending or resolved against the firm or any of its partners with the state Boards of Accountancy, or any self-regulatory, professional or government authority including but not limited to the AICPA, or Rhode Island Board of Accountancy. In addition, the firm shall provide information regarding any lawsuits or claims against the firm, pending or resolved.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is registered or licensed to practice as a certified public accountant in Rhode Island. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit. The senior accountant in charge of field work must be a certified public accountant.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Town. However, in either case, the Town retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the Town which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the Town of Gloucester, Rhode Island

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the Town of Gloucester by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

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7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and current telephone number of the principal client contact.

The firm shall also provide how many governmental entities were required to request an extension to file their annual financial statements during which time your firm was the auditors. An explanation of each extension request must also be included.

8. Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as Town of Glocester's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems. Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

- c. Sample size and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the Town's internal control structure
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Town of Glocester.

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10. Report Format

The proposal should include sample formats for required reports.

11. Additional Information to be provided to the Town

- a. A statement of relevant experience including a list of municipal or other governmental audits performed in the last five years;
- b. Expected time budget and completion date for the audit;
- c. A statement that there exist no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards;
- d. Representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants and Government Auditing Standards;
- e. 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.
- f. Representation that the private auditor of a municipality meets the continuing educational requirements of Government Auditing Standards;
- g. Representation that the private auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by Government Auditing Standards. The firm will provide a copy of its most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract; and
- h. Representation that the private auditor is familiar with generally accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; Government Auditing Standards issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements . The private auditor will conduct the audit and report in accordance with those standards.

C. Dollar Cost Bid

1. Total All-Inclusive Maximum Price

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

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**It is anticipated that no additional audit work above the contracted amount will be required. However, should additional work become necessary, any and all additional audit related work will require approval of the Town's Director of Finance prior to being performed. Request must be made in writing. No work will commence without written consent. No billing for audit related work will be recognized as being valid without prior written consent from the Town of Gloucester's Director of Finance.**

The Town of Gloucester will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the dollar cost bid should include the following information:

- a. Name of Firm
  - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the Town of Gloucester.
  - c. A Total All-Inclusive Maximum Price for each year of the engagement.
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix F) that supports the total all-inclusive maximum price.

3. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the Town of Gloucester for its employees. All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

4. Rates for Additional Professional Services

If it should become necessary for Town of Gloucester to request the firm to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between Town of Gloucester and the firm. Any such additional work agreed to between Town of Gloucester and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

In accordance with Government Auditing Standards, if the firm provides non-audit

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services, it must evaluate whether providing the services creates independence impairment with respect to the audit of the Town of Gloucester.

5. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

**VIII. EVALUATION PROCEDURES**

A. Selection of the Audit firm

Proposals submitted will be evaluated by the evaluation committee and recommended for selection to the State of R.I. Auditor General for his approval prior to final selection by the Gloucester Town Council.

B. Review of Proposals

Evaluation of the proposal will be made by each of the criteria described in Section VIII C below.

The Town of Gloucester reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated as to R.I. General Laws 45-55-5 "Competitive Sealed Bidding,". An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters. Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price.

The following represents the principal selection criteria which will be considered during the evaluation process. Proposals will be evaluated using the following factors and scoring weights resulting in a maximum score of 100 points:

1. Mandatory Elements

- a. The firm is independent and licensed to practice in Rhode Island
- b. The firm provides proof of insurance coverage as follows:

**Professional Liability Coverage**

**Workers Compensation with a waiver of subrogation**

- c. The firm has no conflict of interest with regard to any other work performed by the firm for the Town of Gloucester;
- d. Ability to perform the services as reflected by workload and the availability of adequate personnel to perform the services expeditiously;

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- e. Competence to perform the services as reflected by technical training and education; general experience in providing the required services; and the qualifications and competence of persons who would be assigned to perform the services;
  - f. Past performance as reflected by the evaluation of private persons and officials of other governmental entities that have retained the services of the firm with respect to such factors as quality of work and ability to meet deadlines;
  - g. Quality of work previously performed by the firm for the Town of Glocester, if any;
  - h. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal;
  - i. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
2. Technical Qualifications
- a. Expertise and Experience
    - 1. The firm's past experience and performance on comparable municipal engagements
    - 2. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
    - 3. Experience in providing assistance to meet the requirements of the Certificate of Achievement for Excellence in Financial Reporting program.
  - b. Audit Approach
    - 1) Adequacy of proposed staffing plan for various segments of the engagement
    - 2) Adequacy of sampling techniques
    - 3) Adequacy of analytical procedures

3. Price

Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	<b>Maximum points</b>
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
<b>Maximum evaluation points 100</b>	<b>100</b>

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\* 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.

D. Oral Presentations

During the evaluation process, the Director of Finance may, at his discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Town of Glocester may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The evaluation committee will recommend a firm for approval by the Town Council.

It is anticipated that a firm will be selected by **May 1, 2018**. Following notification of the firm selected, it is expected a contract will be executed between both parties. (See Appendix G for form of contract)

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Glocester and the firm selected. The Town reserves the right without prejudice to reject any or all proposals.

APPENDICES

- A. Findings from Recent External and Internal Audits
- B. Organizational Chart
- C. List of Key Officials, Office Locations, and Telephone Numbers
- D. Proposer Guarantees

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- E. Proposer Warranties
- F. Format for Schedule of Professional Fees and Expenses to Support the Total All-inclusive Maximum Price
- G. Form of Contract
- H. UCOA Agreed-Upon Procedures

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**APPENDIX A**

**FINDINGS & RECOMMENDATIONS FROM MOST RECENT EXTERNAL AUDIT**

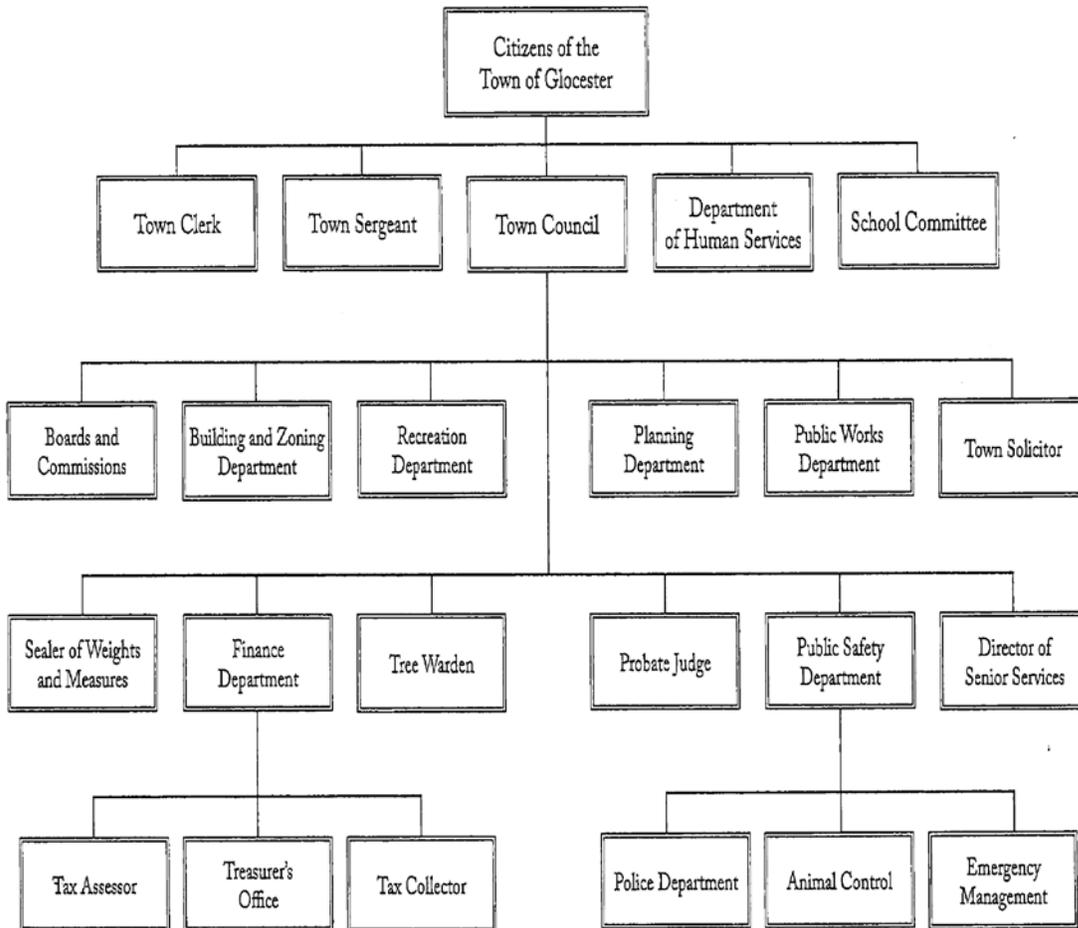
**Audit Report for FYE June 30, 2017**

Findings:

There were no findings

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**Town of Glocester, Rhode Island  
Organization Chart**



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**APPENDIX C  
LIST OF KEY OFFICIALS**

Town of Gloucester Officials

<b>OFFICIAL</b>	<b>NAME</b>	<b>(401) 568-6206</b>	<b>Location</b>
Town Council President	George O. Steere, Jr.		Town Hall
Director of Finance	<del>Diane L. Brennan</del>	<del>x2188</del>	<del>Town Hall</del>
Director of Information Technology	Edward Juare	(423) 598-9925	Ringgold, GA
School Superintendent	Patricia A. Dubois	x 237	Town Hall
School Business Manager	Diane L. Brennan	x 218	Town Hall
Town Solicitor	Timothy F. Kane	949-2228	627 Putnam Pike Greenville, RI 02828

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APPENDIX D

PROPOSER GUARANTEES

- I. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in:  

Section II, Nature of Audit Services Required, and  
Section III, Nature of Agreed-Upon Services Required.
  
- II. The proposer agrees to be bound by the contractual requirements delineated in this document.

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

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

Firm: \_\_\_\_\_

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

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**APPENDIX E**

**PROPOSER WARRANTIES**

- A. Proposer warrants that it is willing and able to comply with State of Rhode Island laws with respect to foreign (non-state of Rhode Island) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing \$1 million dollars of coverage for the willful or negligent acts, or omissions of any officers, employees, or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Town of Gloucester.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

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

Firm: \_\_\_\_\_

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

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**APPENDIX F**

**YEAR 1**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE 2018 FINANCIAL STATEMENTS AND  
UCOA AGREED-UPON PROCEDURES**

	Audit hours	Agreed-upon procedures hours	Standard hourly rates	Quoted hourly rate	Total
Partners					
Managers					
Supervisory staff					
Staff					
Other (specify)					
Out-of-pocket expenses:					
Meals and lodging					
Transportation					
Other (specify)					

**Total all-inclusive maximum price for 2018 audit \$ \_\_\_\_\_**

Town portion \$ \_\_\_\_\_ School portion \$ \_\_\_\_\_ Agreed-upon Procedures portion \$ \_\_\_\_\_

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

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**APPENDIX F**

**YEAR 2**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**

**FOR THE AUDIT OF THE 2019 FINANCIAL STATEMENTS AND  
UCOA AGREED-UPON PROCEDURES**

	Audit hours	Agreed-upon procedures hours	Standard hourly rates	Quoted hourly rate	Total
Partners					
Managers					
Supervisory Staff					
Staff					
Other (specify)					
Out-of-pocket expenses:					
Meals and lodging					
Transportation					
Other (specify)					

**Total all-inclusive maximum price for 2019 audit \$ \_\_\_\_\_**

Town portion \$ \_\_\_\_\_ School portion \$ \_\_\_\_\_ Agreed-upon Procedures portion \$ \_\_\_\_\_

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

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**APPENDIX F**

**YEAR 3**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**

**FOR THE AUDIT OF THE 2020 FINANCIAL STATEMENTS AND  
UCOA AGREED-UPON PROCEDURES**

	Audit hours	Agreed-upon procedures hours	Standard hourly rates	Quoted hourly rate	Total
Partners					
Managers					
Supervisory Staff					
Staff					
Other (specify)					
Out-of-pocket expenses:					
Meals and lodging					
Transportation					
Other (specify)					

**Total all-inclusive maximum price for 2020 audit \$ \_\_\_\_\_**

Town portion \$ \_\_\_\_\_ School portion \$ \_\_\_\_\_ Agreed-upon Procedures portion \$ \_\_\_\_\_

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

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**APPENDIX G**

**FORM OF CONTRACT FOR SERVICES**

**CONTRACT FOR PROFESSIONAL SERVICES**

AGREEMENT (To be signed at award of contract only)

Made as of the \_\_\_\_\_ day of \_\_\_\_\_ in the year of

BETWEEN the Owner:   The Town of Glocester  
  1145 Putnam Pike  
  P.O. Box B  
  Chepachet, RI 02814

And the Firm: \_\_\_\_\_  
(Name and Address) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For the following Project: Professional Services

- A. The Owner and Firm agree to perform services as set forth in the "Request for Proposals" for the above noted project, at an agreed upon amount of \$ \_\_\_\_\_.

OWNER  
\_\_\_\_\_  
(Signature)

FIRM  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name and Title)

\_\_\_\_\_  
(Printed Name and Title)

NOTE: The Town's Request for Proposals and vendor's response shall be affixed to and considered part of, this Contract. Any disclaimers to our minimum insurance requirements will not be considered, and the Town shall consider the vendor's proposal "non-responsive." It is understood that this contract shall require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his/her designee). This information includes but is not limited to financial data, analysis, audit documentation, and memorandum. Audit documentation of the independent auditors shall be made available to the Auditor General (or his designee) upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision

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B. The undersigned herewith acknowledges the receipt of the following Addenda:

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

C. The undersigned hereby certifies that he/she will perform services under the conditions and as required in the Request for Proposals.

_____ (Date)	_____ (Print Name of Firm)
-----------------	-------------------------------

By: \_\_\_\_\_  
(Signature of Principal)

\_\_\_\_\_  
(Print Name and Title of Principal)

\_\_\_\_\_  
(Business Address)

\_\_\_\_\_  
(City, State, Zip Code)

\_\_\_\_\_  
(Telephone Number)

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**APPENDIX H**

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

**OVERVIEW:**

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

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

The municipal school district, regional school district, collaborative, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education (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

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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 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.

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

**2. 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.*

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- ❖ *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).*

**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.

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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).

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*

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*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.
- ❖ 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

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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.)

**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.*

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*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.

- *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.*

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**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.

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**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)

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**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:**

Variations 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)

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<b>UCOA - Agreed-upon Procedures - reconciliation template</b>		
UCOA annual upload file reconciled to audited financial statements		
	Revenues	Expenditures/Expenses
<b>Amounts from the audited financial statements (funds that include activity included in the total UCOA upload file):</b>		
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: <i>(identify fund)</i>	X	X
Other: <i>(identify fund)</i>	X	X
<b>Total</b>		
<b>Adjustments/reconciling items:</b>		
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		
<b>Adjusted totals</b>		
<b>UCOA - final upload file (including final audit adjustments)</b>		
<b>specify upload date _____</b>		
<b>Adjustments/reconciling items:</b>		
<b>Adjusted totals</b>		
<b>Unreconciled variance</b>	<b>0</b>	<b>0</b>
<i>Revised October 2016</i>		

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**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

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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.

- 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.

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- b. Object 51302 represents additional payments made to a teacher for attending School-based professional development.
- 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)

\* \* \* \* \*