

City of East Providence  
Request for Proposals  
Professional Auditing Services & Agreed-Upon Procedures  
Bid No. EP14/15 – 27 SPECIFICATIONS  
Created May 26, 2015

## I. INTRODUCTION

### A. General Information

The City of East Providence is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending October 31, 2015 with the option of auditing its financial statements for each of the two subsequent fiscal years.

The audit will be conducted in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants, 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 by the Single Audit Act of 1996). The audit must be conducted in accordance with the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We acknowledge that the federal government has released new federal audit requirements for state and local governments receiving federal funds. The new requirements shall become effective for the fiscal 2016 audit. Therefore, any reference to OMB Circular A-133 shall be superseded by these new requirements (OMB Guidance 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – Subpart F – Audit Requirements) for audit periods after fiscal 2015, as well as the following additional requirements:

The minimum guidelines as required by the Office of the Auditor General of the State of Rhode Island and the Department of Education of the State of Rhode Island.

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

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

A pre-proposal conference for firms interested in submitting a proposal will be held at Monday, June 01, 2015 at 10:00am in Room 306, East Providence City Hall to answer questions about the engagement.

To be considered, five (5) copies of a proposal must be received by the Acting City Manager, at City Hall, 145 Taunton Avenue, Room 102, East Providence, RI 02914 by Wednesday, June 17, 2015 at 2:00 pm. The City of East Providence reserves the right to reject any or all proposals submitted.

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

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

It is anticipated that the selection of a firm will be awarded by Friday, July 24, 2015 upon approval of the City Council. Following the notification of the selected firm, it is expected a contract will be executed between both parties by August 11, 2015.

### **B. Term of Engagement**

A three-year contract is contemplated, subject to the annual review and recommendation of the Acting City Manager and the Finance Director with the concurrence of the East Providence City Council.

## **II. NATURE OF AUDIT SERVICES REQUIRED**

### **A. General**

The City of East Providence is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending October 31, 2015 with the option to audit the City of East Providence's financial statements for each of the two subsequent fiscal years. 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 City of East Providence desires the auditor to express an opinion on the fair presentation of its basic financial statements, which will include government-wide financial statements, fund financial statements, and notes to the financial statements in conformity with generally accepted accounting principles.

The City of East Providence also desires the auditor to express an opinion on the fair presentation of its combining and individual fund statements in conformity with generally accepted accounting principles. The auditor is not required to audit the required supplementary information and supporting schedules contained in the annual financial report. However, the auditor is to provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information, including but not limited to the Management's Discussion and Analysis section, as required by the Governmental Accounting Standards Board as mandated by

generally accepted auditing standards.

Other schedules may be required by the City and/or the State of Rhode Island Director of Revenue, Auditor General, and Department of Education or as required by the applicable section of the general laws such as, Rhode Island General Law Section (RIGL) 45-10-6 (Contents of Audit Report). The Tax Collector's Annual Report within Other Supplementary Information shall meet the requirements of RIGL 45-10-6 for additional information to the basic financial statements.

If the general operations of the school department do not qualify as a special revenue fund, in accordance with generally accepted accounting principles, and is merged with the general fund for financial reporting purposes, the specific "school unrestricted fund" information will be presented within the Supplementary Information section of the annual financial report. The Supplementary Information will consist of: a Balance Sheet, a Statement of Revenues, Expenditures and Changes in Fund Balance, and a Budget and Actual Statement.

### **C. Auditing Standards to be Followed**

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

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
2. The standards for financial audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States.
3. The provisions of the Single Audit Act of 1984 (as amended by the Single Audit Act Amendments of 1996).
4. The provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. The federal government released new federal audit requirements for state and local governments receiving federal funds. The new audit requirements will become effective for the fiscal 2016 audit. References to OMB Circular A-133 as included herein shall be superseded by those new requirements (OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements) for audit periods after fiscal 2015.
5. The auditing and reporting guidelines prescribed by the RI Auditor General and
6. The guidelines of the RI Department of Education.

### **D. Reports to be Issued**

Upon completion of the audit of the fiscal year's financial statements, the auditor shall issue following reports:

1. A 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.
2. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

3. 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).
4. A completed Form SF-SAC. "Data Collection Form for Reporting on Audits of State, Local Governments and Non-Profit Organizations.
5. Other reports that may be requested by the State Director of Revenue and/or Auditor General or as required by the applicable section of the general laws.

In the required reports on 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Significant deficiencies that are also material weaknesses shall be identified as such in the report.

Other matters, for example, control deficiencies that are not significant deficiencies or material weaknesses discovered by the auditor shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

The report on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

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

1. Policies, procedures and practices employed by the municipality.
2. Control deficiencies that are not significant deficiencies or material weaknesses.
3. Use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
4. Compliance with state laws pertaining to the municipality and with rules and regulations established by the municipality.

Upon completion of the audit, the management letter will be submitted to the East Providence City Council and East Providence School Committee, with copies to the State Director of Revenue and the Auditor General.

The final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the City of East Providence, State Auditor General and State Director of Revenue. A copy of the final written correspondence, The Auditor's Communication with Those Charged with Governance, shall also be delivered to the State Auditor General.

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. False representation will also be grounds for forfeiture of all payments under the contract. This will not limit the City from seeking any other legal or equitable remedies.

The accounting firm will hold a preliminary exit conference with the Finance Director to discuss

the audit as it relates to the respective departments. After the preliminary exit conferences are completed, the accounting firm will meet with the Finance Director, School Superintendent and Acting City Manager to review draft copies of the aforementioned reports before such reports are issued to the City Council.

At the conclusion of the audit, a representative of the accounting firm will be expected to appear before the City Council and School Committee to discuss the findings of the audit.

### **Fraud and Illegal Acts**

Auditors shall be required to make an immediate, written report of all fraud and illegal acts of which they become aware to the following parties:

1. Acting City Manager
2. City Council

### **E. Special Considerations**

Outlined below are certain additional requirements, which the City requires. The cost of providing these services should be included in the all-inclusive maximum price.

1. Draft copies of all audit reports and management letters shall be submitted to the Finance Director of the City prior to the exit conference so that there will be adequate time for review.
2. The supplementary schedule of expenditures of federal awards and related auditor's report, as well as the reports on internal control and compliance are to be issued as part of the basic financial statements.
3. Difficulties may be encountered in implementing and complying with specific reporting requirements mandated by the GASB. The auditor will be responsible to work with the Finance Director to ensure proper implementation and compliance with any new pronouncements effective during the contract.

### **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 City of East Providence of the need to extend the retention period. The auditors will be required to make copies of all audit documentation requested by the Finance Director.

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

It is understood that the contract between the municipality and the audit firm shall require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his designee). This information includes but is not limited to financial data, analysis, audit documentation, and memorandums. 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.

### III. NATURE OF UCOA AGREED-UPON PROCEDURES REQUIRED

The East Providence School Department 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 D for the agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

Ten (10) copies of the final agreed-upon procedures report on the School Department's compliance with the Uniform Chart of Accounts shall be delivered to the Acting City Manager.

### IV. DESCRIPTION OF THE GOVERNMENT

#### **A. Contact Telephone Numbers**

Acting City Manager, Paul Lemont	(401) 435-7521
Finance Director, Malcolm Moore	(401) 435-7550

#### **B. Background Information**

The City of East Providence serves an area of 16.2 square miles with a population of 47,037. The City of East Providence's fiscal year begins on November 1 and ends on October 31.

The accounting and financial reporting functions of the City of East Providence and the School department are centralized within the Finance Department.

#### **C. Fund Structure**

The City of East Providence used the following fund types in its financial reporting for the fiscal year ending October 31, 2015:

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
General fund	1	1
Special revenue funds	88	1
Capital projects funds	5	0
Proprietary funds	2	2
Permanent Funds	5	0
Fiduciary funds	2	0
Agency funds	5	0

#### **D. Budgetary Basis of Accounting**

The City of East Providence prepares its budgets on a basis consistent with generally accepted accounting principles with two exceptions. Major encumbrances at year-end are considered to be expenditures for budgetary purposes but not for GAAP purposes. In addition, use of fund balance designated for operations is recognized as revenue on budgetary basis.

#### **E. Computer Systems**

The City presently has Sungard for financials and ADMINS for payroll. The School Department has ADMINS for both financials and payroll. The City has put out an RFP for a new financial system.

#### **F. Availability of Prior Year Audit Reports and Working Papers**

Interested proposers who wish to review prior years' audit reports should contact the Finance Director, Malcolm Moore, at City Hall, 145 Taunton Avenue, East Providence, RI 02914 or by calling (401) 435-7550. The City of East Providence will make the prior year audit reports available to applicants to aid their response to this request for proposals.

### **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 proposals issued	Tuesday, May 26,, 2015
Preproposal conference	Monday, June 01, 2015 at 10:00 am
Due date for proposals	Wednesday, June 17, 2015 at 2:00 pm

#### **B. Notification and Contract Dates**

Selected firm notified	Friday, July 24, 2015
Contract date	Friday, August 11, 2015

#### **C. Date Audit May Commence**

The City of East Providence will have all records ready for audit and available by December 1, 2015.

#### **D. Schedule for the 2015 Fiscal Year Audit**

(A similar schedule will be developed for audits of future fiscal years if the City of East Providence exercises its option for additional audits.)

The auditor shall complete each of the following no later than the dates indicated.

1. Interim Work
  - a. The auditor shall complete all interim work by December 31, 2015.
2. Detailed Audit Plan
  - a. The auditor shall provide the City of East Providence by December 31, 2015 both a detailed audit plan and a list of all schedules to be prepared by the City of East Providence.
3. Fieldwork
  - a. The auditor shall complete all fieldwork by February 28, 2016.
4. Draft Reports
  - a. The auditor shall have drafts of the audit report(s) and recommendations to management available for review by the Finance Director by March 31, 2016.

**E. Date Final Report is Due by April 15, 2016.**

The Finance Director shall prepare preliminary trial balances, and all required supplementary schedules by December 31, 2015. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Finance Director by March 31, 2016. A draft auditor's report shall be delivered to the Finance Director by March 31, 2016.

The Finance Director will complete his review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports of the City and School. Once all issues for discussion are resolved, the final signed report shall be delivered to the Finance Director within 14 working days. It is anticipated that this process will be completed and the final report delivered by April 15, 2016.

The final report and thirty (30) signed copies should be delivered to the Finance Director at City Hall, 145 Taunton Avenue, East Providence, RI 02914.

The School Department 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 the revised timeline established by the Rhode Island Department of Education and the Office of the Auditor General.

Also, an electronic version of the final report will be completed and made available to any agency desiring the report in this format.

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

**A. Finance Department and Clerical Assistance**

The Finance department staff and responsible management personnel will be available during the

audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City of East Providence based on information requested by the auditor.

**B. Electronic Data Processing (EDP) Assistance**

A Computer Information Specialist will be available to provide systems documentation and explanations.

**C. Statements and Schedules to be prepared by the Staff of the City of East Providence**

The staff of the City of East Providence will prepare the statements and schedules outlined in the Detailed Audit Plan (Section V.D.2), for the auditor by December 31, 2015.

**D. Work Area, Telephones and Photocopying**

The City of East Providence will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephone lines and photocopying facilities.

**E. Report Preparation**

Report preparation, editing and printing shall be the responsibility of the auditor.

**VII. PROPOSAL REQUIREMENTS**

**A. General Requirements**

1. Preproposal Conference
  - a. A conference for firms interested in submitting proposals will be held at Monday, June 01, 2015 at East Providence City Hall, Room 306 at 10:00 am. Both verbal and written questions will be accepted during the conference. Attendance is recommended.
  
2. Inquiries
  - a. Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:  
  

Finance Director  
145 Taunton Avenue  
East Providence, RI 02914  
(401) 435-7550
  
3. Submission of Proposals
  - a. The following material is to be received by Wednesday, June 17,, 2015 at 2:00 pm, for a proposing firm to be considered.
  
4. A master copy (so marked) of a Technical Proposal, four (4) copies, and an electronic copy in PC-readable Adobe Acrobat PDF format to include the

following:

- (1) Title Page
  - (a) Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of a contact person; and date of the proposal.
- (2) Table of Contents
- (3) Transmittal Letter
  - (a) A signed letter of transmittal briefly stating the proposers 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 a three year period.
- (4) Detailed Proposal
  - (a) The detailed proposal should follow the order set forth in Section VII B of this request for proposals.
- (5) Executed copies of Proposers Guarantees and Proposers Warranties, attached to this request for proposals (Appendix A and Appendix B).
  - (a) The proposer shall submit an original, four (4) copies, and an electronic copy in PC-readable Adobe Acrobat PDF format of a dollar cost bid (Appendix C) in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID PROPOSAL FOR  
CITY OF EAST PROVIDENCE  
FOR  
PROFESSIONAL AUDITING SERVICES AND AGREED-UPON PROCEDURES  
BID EP14/15-27

- (b) Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

City Manager  
City of East Providence  
145 Taunton Avenue  
East Providence, RI 02914

## **B. Technical Proposal**

### **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 of the City of East

Providence 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 an audit approach that will meet the request for proposals requirement.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT

The technical proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid.) 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 subjects, items No's. 2 through 9 must be included. They represent the criteria against which the proposal will be evaluated.

**2. Independence**

The firm should provide an affirmative statement that it is independent under the requirements of the American Institute of Certified Public Accountants including those in Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and Government Auditing Standards.

The firm should also list and describe the firm's professional relationships involving the City of East Providence or any of its agencies or component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

**3. License to Practice in Rhode Island**

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Rhode Island.

**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.

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 is also required to submit a copy of the report on its most recent external quality control review report as required by Government Auditing Standards, with a statement whether that quality control review included a review of specific government engagements. The firm will provide the Auditor General with a copy of its most recent external quality control review report.

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 November 1996 and the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and 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.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm or its partners with state regulatory bodies or professional organizations.

The firm must provide information regarding any lawsuits or claims against the firm, pending or resolved. The firm must also indicate the amount and type of professional liability coverage that it carries (Appendix B).

An affirmative statement should be included indicating that the firm meets the continuing educational requirements of Government Auditing Standards.

#### **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 licensed to practice as a certified public accountant in Rhode Island. The senior accountant in charge of the fieldwork shall be a certified public accountant. The firm also should provide information on the government auditing experience of each person, including information on meeting continuing professional education requirements of Government Auditing Standards for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should 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. The firm also should 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 City of East Providence. However, in either case, the City of East Providence retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City of East Providence, 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. 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 of 5) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

## **7. Specific 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 proposals.

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 and expected completion date of the audit.

### **NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL**

- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of computer 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 City of East Providence'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 test compliance

## **8. 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 City of East Providence.

## **9. Report Format**

The proposal should include sample formats for required reports. A sample municipal and school audit report should be enclosed for the City's review.

### **NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL**

## **C. Sealed Dollar Cost Bid**

1. Total All-inclusive Maximum Price

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

The City of East Providence 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 sealed 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 City of East Providence.
- c. A Total All-inclusive Maximum Price for the 2015 engagement.

2. Rates by Partner, Manager, Senior and Staff Level Times Hours Anticipated for Each.

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

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

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 the City of East Providence to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City of East Providence and the firm.

Any such additional work agreed to between the City of East Providence 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. Firms may quote different prices for certain times of the year.

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 additional work to be performed and the cost for said work, then the City, as its option may rescind the option period.

In accordance with Government Auditing Standards, if the firm provides non-audit services, it must evaluate whether providing the services creates independence

impairment with respect to the audit of the City.

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 billings shall cover a period of not less than a calendar month.

## VIII. EVALUATION PROCEDURES

### A. Evaluation Criteria

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 represent the principal selection criteria, which will be considered during the evaluation process.

#### Mandatory Elements

- a. The audit firm is independent and licensed to practice in Rhode Island.
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the City of East Providence.
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
- e. The firm adheres to the instruction in this request for proposals on preparing and submitting the proposal.

#### 1. Technical Qualifications:

##### a. Governmental Expertise and Experience

1. The firm's past experience and performance on comparable government engagements including the issuance of a comprehensive annual financial report.
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.

#### 2. Audit Approach

- a. Adequacy of proposed staffing plan for various segments of the engagement.
- b. Adequacy of sampling techniques.
- c. Adequacy of analytical procedures.

#### 3. Price

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

	Maximum points
Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*) 30	30
<b>Maximum evaluation points 100</b>	<b>100</b>

\* 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.

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.

## B. Oral Presentations

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

## C. Final Selection

The City Council will select a firm based upon the recommendation of the evaluation committee.

It is anticipated that a firm will be selected by July 24, 2015. Following notification of the firm selected, it is expected a contract will be executed between both parties by August 11, 2015.

## D. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of East Providence and the firm selected.

The City of East Providence reserves the right without prejudice to reject any or all proposals

A P P E N D I X A

PROPOSER GUARANTEES

I. The proposer certifies it can and will provide and make available, at a minimum all services set forth in Section II, Nature of Audit Services Required and in Section III, Nature of Agreed-Upon Procedures Services Required.

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

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

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

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

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

**A P P E N D I X B**  
**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 will maintain in full force at all times professional liability to include errors and omissions in the minimum amount of \$1 million per occurrence and supply evidence of the same to the City of East Providence, listing the City as additional insured. In addition, the proposer shall also supply evidence of Workers Compensation insurance at the State of RI minimum required levels.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express written permission of the City of East Providence.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate. Proposer further understands that 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. False representations will also be grounds for forfeiture of all payments under the contract. This will not limit the municipality from seeking any other legal or equitable remedies.
- E. Proposer warrants that there are no client conflicts, which would inhibit the ability to perform the audit in accordance with professional standards.

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

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

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

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

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

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

### **OVERVIEW:**

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

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

The municipal school district, regional school district, collaborative, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or not later than six months after fiscal year-end. For those school districts, regional school districts, collaboratives, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall be provided by December 31 for the activity related to the year ended on the preceding June 30.

### **COMPLIANCE TESTING REQUIREMENTS:**

**Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29**

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

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

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.

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

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

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

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

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

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

- 2. Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school as reported in the final audited financial statements.**

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

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

**Note:** When variances are reported between the UCOA upload file and the audited financial statements, the entity may be required to amend its UCOA upload file to include final amounts which reflect audit adjustments.

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

### UCOA Rules to be Tested:

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

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 charged in the same manner as direct wages – e.g., 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. Healthcare benefit costs are allocated consistent with the employees wages based on actual insurance premiums or, in the case of employers who are self insured, based on working rates.
  - The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
  - Wages for Short-term substitute teachers are charged to Subject 0000. Wages for short-term substitute teacher support personnel and long-term substitute teachers should follow the Location, Program, and Subject accounts as used with the employees whom they are replacing.

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

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

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).

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.*
- ❖ *Allocation to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines. If an employee has a "Hands-On" relationship to the multiple activities being performed and performance of those duties requires a minimum of 20% of their time, those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the "Hands-On" work, then no charges must be made for these activities, even if the amount of time expended exceeds 20% of the employee's time.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110 (Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).*
- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*
- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing less than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach more than 10% of their time must record instruction time to Subject 0000 (General Education).*
- ❖ *Wages for Short-term substitute teachers (Job Classifications 1295-1299) in Object 51115 (Salaries – Substitutes) when used with Function 112 (Substitute Teachers) is charged to Subject 0000. With Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace. Wages for Long-term substitute teachers (Job Classification 1294) should follow the Location, Program, and Subject accounts as used with the teacher whom they are replacing.*

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

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 three 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 after-hours school-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 and 51302. (This may be satisfied by testing one payroll record which includes postings to both Object accounts and which may have been selected in compliance testing requirement 1 or 4).

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

### 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.

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

- ❖ **Object 51302 (Professional Development – School)** - only that Professional Development that is paid on an hourly basis.
- ❖ For **Object 51302**, 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 employees whose Function account is in the 100 or 200 series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. For employees whose Function account is in the 300 or 400 series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 only.

**DEFINITION: Object 53301 – Purchased Professional Development and Training Services.** Services supporting the professional development and training of District personnel, including instructional and administrative employees.

- ❖ 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. 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.

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

### COMPLIANCE REPORTING REQUIREMENTS

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29

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

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

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

A sample report follows:

#### Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated in Exhibit 1, which were agreed to by the Rhode Island Department of Education (RIDE), solely to assist RIDE in evaluating the (entity's) compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx and the effectiveness of the (entity's) internal control over compliance with the aforementioned compliance requirements as of June 30, 20xx. Management is responsible for the (entity's) compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Rhode Island Department of Education, the *Entity*, and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

**EXHIBIT 1**

**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. Please note - If an interim file is used for selecting the sample, reconcile changes from the interim file to the final upload and determine the significance of any changes and whether additional testing is warranted.

**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	Function	Program	Subject	Object	Job Class (personnel costs only)	Date	Payee	Amount	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	XXXXXXXX	XXXXXXXXXXXXXXXXXXXX	\$X,XXX,XXX.XX	Yes/No
C	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXXXX	XXXXXXXXXXXXXXXXXXXX	\$X,XXX,XXX.XX	Yes/No

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

B -

C -

**SCHOOL RESPONSE: (if applicable)**



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

### **REQUIREMENT 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 charged in the same manner as direct wages – e.g., 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. Healthcare benefit costs are allocated consistent with the employees wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- 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 for Short-term substitute teachers are charged to Subject 0000. Wages for short-term teacher support personnel and long-term substitute teachers should follow the Location, Program, and Subject as used with the employees whom they are replacing.

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

### **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 three of the five Object accounts:

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

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

### **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 and 51302. (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).

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 5113) 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)