

REQUEST FOR PROPOSALS

AUDIT SERVICES



TOWN OF ZEBULON

Date of Issue: December 21, 2023

Proposal Deadline: February 19, 2024

Time: 3:00 PM ET

Contact:

Bobby Fitts, Finance Director

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&

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1003 N. Arendell Avenue

Zebulon, NC 27597

(919) 823-1806

Request for Proposal

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

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

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

Type of Audit

1. The audit shall be performed in accordance with the laws and regulations of the State of North Carolina, which include requirements for the minimum scope of the Town's audit. The audit firm shall comply with generally accepted auditing standards as required by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States. The audit firm shall apply auditing procedures necessary to render an opinion as to the basic financial statements, taken as a whole, in conformance with generally accepted accounting principles.

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

3. The Auditor will prepare any needed year-end adjusting journal entries that have not been completed by the Finance Officer. The auditor will be ultimately responsible for the preparation, typing, proofing, printing, and copying of the Basic Financial Statements, Notes, and Supplementary Information. The Town staff will prepare the MD&A and other spreadsheets and schedules. The auditor will submit a draft of the Financial Statement to be reviewed in detail by the Finance Officer. This draft should be submitted to the Town in time to allow ample review and corrections. **The timing of this should ensure final completion of the Financial Statements no later than the annual October 31st deadline.**

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

4. The financial audit opinion will cover the financial statements for the governmental activities, the business-type activities, each major fund, and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and

an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The auditor shall express an opinion on the budgetary comparison information for the General Fund, the major funds and any annually budgeted special revenue funds. An opinion will not be given on the Management Discussion and Analysis.

5. The audit will also include the following:

- a. Pre-planning conference with Finance staff in April/May timeframe where both the auditor and Finance staff discuss their expectations of the audit.
- b. Interim audit work prior to June 30th and/or prior to final close.
- c. Attendance at Board of Commissioners meeting in early November or December for presentation of the financial statements by Manager or Partner of the Audit Staff with comments and potential questions from Board of Commissioners as requested.
- d. Auditor is responsible for submitting the audit report to the staff of the Local Government Commission (LGC).

6. The audit should encompass all funds and entity-wide activities as reported in the Town's Comprehensive Annual Financial Report (CAFR) on or around June 30, 2024, and any additional funds or entity-wide activities that may be added subsequent to that date.

7. If required, the audit firm will issue a management letter to the Board of Commissioners after completion of the audit and assist management in implementing recommendations, as is practical. Town staff also request that an informal letter be addressed to the Finance Officer with any efficiency, internal control or accounting improvements that could be made based on the audit staff's observation during their fieldwork. All content must be discussed with the Finance Officer prior to issuance. The audit firm is encouraged to discuss the content while the management letter is in draft form to ensure that all parties fully understand the circumstances that lead to auditor comments.

8. The Town staff may require the auditor's guidance or input on the completion of certain schedules/documents as to proper format and content, so that they can be used in the audit process as well as inclusion in the Town's financial statements. Guidance may be required for new note disclosures, all outstanding and effective authoritative standards and other reporting requirements by June 30 year-end. The cost of providing these services should be included in the auditor's base fee quote and will not be considered extra for additional billings. In cases, however, where services requested would require a more in-depth scope and require work significantly above the original fee quote, such additional fees must be negotiated prior to commencement of work.

Auditor Requirements

1. The audit firm is considered to be an independent contractor and will be wholly responsible for the services and the supervision of its own employees and permitted sub-contractors.
2. A planning meeting will be held each year to determine schedules that the Town will be responsible for preparing. Estimated timeframes will be established and interim audit work will be planned. Adequate notification will be given prior to any changes in estimated times.
3. The Town of Zebulon audit engagement must be conducted in accordance with Generally Accepted Auditing Standards (GAAS); Government Auditing Standards, 2018 revisions, issued by the Comptroller General of the United State; and if applicable, the U.S. Office of Management and Budget's (OMB) Uniform Guidance and, if applicable, the State Single Audit Implementation

Act, and any other applicable procedures for the audit of a local government's financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). By accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in Government Auditing Standards. **The Auditor must provide a copy of their most recent peer review report with their proposal.**

4. The Local Government Commission deadline of October 31st (or no later than the annual grace period of December 1) for the submission of the financial statements is a required deadline. **For every week the audit is late due to no fault of the Town of Zebulon, there will be a reduction in the audit fee of \$100.00.** All auditor fieldwork must be completed, financial statements prepared, and opinions given in a timely manner to ensure adherence to this state mandate. The Finance Officer will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.
5. The auditor will acknowledge that the records in the custody of the Town, as a North Carolina municipal corporation, are public records and subject to public records requests. Town may provide copies of such records, including copyrighted records, in response to such a request.
6. The audit firm will be responsible for the security of sensitive information and private employee information that is in their possession and will hold this information with strict confidence. This sensitive and private information can only be used to complete required testing or for other uses specifically required by law.
7. If third-party service providers are used, the auditor must maintain internal policies, procedures, and safeguards to protect the confidentiality of the Town's information and sensitive information. Auditors must maintain confidentiality agreements with these providers to ensure that the providers have appropriate procedures in place to prevent the unauthorized release of information to others. In the event a confidentiality agreement cannot be secured, the Town must provide consent prior to the sharing of the information with the provider. The auditor will remain responsible for any work provided by a third-party service provider.
8. It is expressly agreed and understood that the auditor shall not at any time publicly disseminate any information concerning the agreement or scope of work outlined in the agreement without prior approval from the Town. Such approval will not be unreasonably withheld but may be given with certain stipulations, such as Town participation in the creation of the public product or Town review and the option to refuse ultimate release of the final product should it fail to meet the Town's standards and goals. Public dissemination includes but is not limited to electronic, video, audio, photographic or hard copy materials serving as, in whole or part, professional papers or presentations, news releases, articles, or other media products, and/or auditor business collateral pieces.
9. Liability insurance shall be maintained by the audit firm at all times during the term of the audit contract and during any extension thereof as follows: general liability insurance in the amount of \$1,000,000 per occurrence/\$2,000,000 aggregate, umbrella coverage in the amount of \$1,000,000 per occurrence, workers' compensation with statutory limits including liability of \$500,000 and professional liability of no less than \$1,000,000 per occurrence. The Town shall be furnished with evidence of such insurance on an annual basis with copies of certificates accompanying the annual audit contract. The Town shall receive a thirty-day prior written notice of any reduction in coverage or cancellation of such insurance. All insurance policies (except workers' compensation and professional liability) shall name the Town as an additional insured

party.

10. Ten copies of each Audit report, management letter, and other applicable reports must be supplied to the Finance Officer within the time frame cited above. In addition, the auditor is responsible for complying with the requirements of the LGC for submitting the audit and all associated documents and forms as required for the year under audit when (or prior to) submitting the final invoice for audit services rendered to the Commission.
11. In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.
12. Either the manager or partner of the audit staff is required to present and attend the Town Board of Commissioners meeting in which the Audit report is presented. Required communications to the Council can be delivered at this point, as well as general comments regarding the audit process and the results of the audit. Finance staff will coordinate this presentation and determine the date and time of the meeting, typically held in late October following the audit completion.

Audit Contract: Period & Payment of Audit Fees

The Town intends to continue the relationship with the auditor for no less than three years based on annual negotiation after the completion of the first-year contract. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. The Town of Zebulon reserves the right to request proposals at any time following the first year of this contract. It is requested that proposals be prepared for the following years, with year one being the only obligated year:

July 1, 2023 to June 30, 2024

July 1, 2024 to June 30, 2025

July 1, 2025 to June 30, 2026

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

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

Description of Selection Process

Two copies of each section of the proposal should be submitted at the time and place indicated under the section entitled "Time Schedule for Awarding Contract."

Proposals will be submitted in two sections and must be physically signed by an authorized representative of the Audit firm. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits. The second section will consist of information on how the audit will be performed and estimated costs of the audit services.

The Finance Office staff will evaluate the auditor/firm on educational and technical qualifications. Criteria for evaluating proposals include, but are not limited to the following:

1. Prior governmental experience
2. References from other governmental units
3. Firm's experience with maintaining personnel.
4. Qualifications of personnel used on governmental audits.
5. Technical qualifications for personnel assigned to the audit.
6. Audit approach, including methodologies used in testing the financial statements.
7. Staff training in governmental accounting.
8. Participation in governmental associations
9. Fee quote

While cost is an important factor in evaluating proposals, it may not be a dominant factor. Low cost is not a requisite for selection. In addition, unusually low bids that are obviously out of line with other bidders or are significantly lower than our current fees will raise concern.

After the review of proposals, Town staff will make the audit firm recommendation to management and Town Council. The firm best meeting the Town of Zebulon's expectations for experience, audit approach, and cost requirements will be selected. The recommendation will be made to management for final acceptance and approval. The selected audit firm is not required to be present at this meeting.

The Town of Zebulon requests that no Town officials be contacted during this proposal process. Submit questions regarding the RFP in writing via email to aarsenault@townofzebulon.org and rfitts@townofzebulon.org. Any additional information disclosed to participating audit firms prior to bid submission will be shared with all interested parties.

The Town reserves the right to reject any or all bids, waive technicalities, and to be the sole judge of suitability of the services for its intended use and further specifically reserve the right to make the award in the best interest of the Town. Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid. Firms must be registered with the North Carolina State Board of CPA Examiners.

Section 1 - Profile of the Firm

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

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

Section 2 – Audit Approach

Proposals should include completed cost estimate sheets and any other necessary cost information in

a separate, sealed envelope marked – “Cost Estimate.” The Town plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate. This second section should consist of completed cost estimate sheets, which will include the following information:

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of automated processes and internal control testing methods.
4. Use of computer audit specialists.
5. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
6. Information that will be contained in the management letter.
7. Assistance expected from the government’s staff, if other than outlined in the RFP.
8. Tentative schedule for completing the audit within the specified deadlines of the RFP.
9. Specify costs using the format below for the audit year July 1, 2023, to June 30, 2024. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2024, is binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to-exceed” amount.
 - A. Audit firm personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
 - 1) Estimated hours: please categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor’s office.
 - 2) Rate per hour.
 - 3) Total cost for each category of personnel and for all personnel costs in total.
 - B. Travel – itemize transportation and other travel costs separately.
 - C. Cost of supplies and materials – itemize.
 - D. Other costs – completely identify and itemize.
 - 1) If applicable, note your method of determining increases in audit costs on a year-to-year basis.
10. Please list any other information the firm may wish to provide.
11. Please include the attached Summary of Audit Costs Sheet with your proposal.

Time Schedule for Awarding the Contract

RFP Release Date	<i>December 21, 2023</i>
Deadline for RFP Questions *	<i>February 2, 2024, by 5:00 pm</i>
Questions to be Answered No Later Than	<i>February 9, 2024, by 5:00pm</i>
Deadline for Receipt of Proposals **	<i>February 19, 2024 by 3:00 pm</i> Town of Zebulon, Finance Department Attn: Bobby Fitts, Finance Director 1003 N. Arendell Avenue Zebulon, NC 27597
Notice of Recommended Firm	<i>February 26, 2024</i>
Board of Commissioners Approval ***	<i>March 4, 2024</i>

*Any questions should be directed to Bobby Fitts, Finance Director, at rfitts@townofzebulon.org or Andrea Arsenault, Accountant II, at aarsenault@townofzebulon.org. Appointments may be scheduled to discuss further any specific matters necessary in preparing your proposal.

** Proposals can either be submitted electronically to rfitts@townofzebulon.org and aarsenault@townofzebulon.org or on paper by February 19, 2024, by 3:00 pm.

- Envelopes containing proposals on paper should be clearly identified on the front with the words "RESPONSE TO RFP FOR AUDIT SERVICES".
- Subject line of emails should be clearly identified with the words "RESPONSE TO RFP FOR AUDIT SERVICES"
- Please note your email should include two separate pdf attachments for sections 1 and 2

*** The Finance Office will review the proposals and make a recommendation to the Board of Commissioners on March 4, 2024, at which time the contract will be awarded.

Description of the Governmental Entity and Its Accounting System

Town of Zebulon is a Town in eastern Wake County, North Carolina with a population of approximately 10,000. A PDF copy of the most recent CAFR/Audit report is located on the Town's website, see below or by emailing rfitts@townofzebulon.org.

<https://www.townofzebulon.org/departments/finance/comprehensive-annual-financial-report>

Funds

The Town of Zebulon maintains the following funds:

Governmental Funds

- General Fund
- Capital Projects Funds:
 - N. Arendell Ave Improvements Fund
 - Stormwater Improvements Fund
 - Fire Station
 - Little River Park
 - Park Improvements

Grants, Entitlements, and Shared Revenues

A copy of the Schedule of Federal and State Expenditures and a Summary of Auditor's Results showing the major programs for the year ended June 30, 2023, can be found in the CAFR located on the Town's website.

Budgets

The Town's annual budget is adopted for the General fund. Multi Year project ordinances are prepared for Capital Project funds. All budgets are prepared using the modified accrual basis of accounting. All appropriations are made at the departmental level. The Town also maintains an encumbrance system. Both the budgetary and encumbrance systems are integrated with the accounting system to provide comparison with actual expenditures.

Accounting Records

The Town maintains all its accounting records at the finance office located at 1003 N. Arendell Avenue, Zebulon, NC. All accounting journals and subsidiary ledgers are maintained on Edmunds GovTech MCSJ software.

Town Staff Assistance and Resources

The Town will make available to the auditor sufficient help to pull and re-file records and prepare necessary confirmations. An electronic version of the trial balance with budgeted amounts will be made available in late August. The following accounting procedures will be completed, and documents prepared by the Town's staff no later than September 1.

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

The Town's personnel will prepare the following items:

General

1. Working Balance Sheet for each fund.
2. Working Statement of Revenues, Expenditures, and Transfers for each fund.
3. General Ledger transaction detail report for each account.

4. A copy of the original budget, all amendments, and the final budget as of June 30, 2024.
5. A copy of all project ordinances and all amendments for active projects during the audit period.
6. A copy of board policies, including travel policies, investment policies, debt policies, fund balance policies and purchasing policies including how the pre-audit process is performed.
7. Copies of all signed Board meeting minutes.
8. Copies of all correspondence with the staff of the Local Government Commission, including semiannual Cash and Investment Reports (LGC-203), unit letters, letters regarding the audited financial statements and compliance reports for the previous year.
9. Required supplementary information, e.g. actuarial information for the Law Enforcement Officers' Separation Allowance.

Cash and Investments

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

Receivables

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

Other Assets

1. Schedule of insurance coverage.

Capital Assets

1. Listing of all capital assets
2. Printout of all capital asset acquisitions made during the audit year.
3. Printout of all capital asset dispositions made during the audit year.
4. Printout of depreciation expense posted for the audit year.

Current Liabilities

- 1. Schedule of accounts payable including batch printouts.

Long-Term Debt

- 1. Computation of vested vacation payable as of the audit date.
- 2. Debt Schedule for each debt issue and related payments.

Grants

The following will be compiled for each grant:

- 1. Grant agreement.
- 2. Grant Budget.
- 3. All financial reports.
- 4. Correspondence with the grantor agency, including monitoring reports.
- 5. CFDA # and/or pass-through grant #.

Size and Complexity of Town Personnel/Payroll

Number of employees	85
Frequency of payroll	Biweekly
Number of payroll direct deposit advises monthly	240

Property Tax collected by Wake County

Total dollar amount of most recent year's collections	\$ 10,327,508
Total dollar amount of levy	\$ 10,337,482

Purchasing

Number of purchase orders issued (FY 2023)	250
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Bank Accounts

Number of bank accounts	3
Number of investment accounts (NC Cash Management Trust Government Portfolio)	1
Average monthly activity in main accounts	\$ 1,500,000
Number of deposits: Central Depository	40
Number of checks: Central Depository	250

The following financial applications are on the computer system:

General Ledger
Accounts Payable

Capital Assets

Payroll
Accounts Receivable

Cash Receipts

SUMMARY OF AUDIT COSTS SHEET
 (Per Year)

THREE-YEAR CONTRACT

Firm/CPA Name: _____

	FY 2024	FY 2025	FY 2026
Base Charge - Financial Audit			
Single Audit Fee			
Financial Statement Preparation			
Specify Other Charge:			
Specify Other Charge:			
TOTAL			

Basis/methodology of fee quote (For agreed upon procedures, please not if the amount is a "not to exceed" amount):

Basis for determining fee quotes, which would be used in price negotiations after the initial three-year contract. List factors that you would use in determining any increases or decreases.

PROPOSAL CERTIFICATION

Proposers

Signature _____ **Date** _____

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

BY (Printed): _____

TITLE: _____

COMPANY _____

ADDRESS: _____

TELEPHONE: _____

EMAIL: _____