



Town of Southern Shores

5375 N. Virginia Dare Trail, Southern Shores, NC 27949

Phone 252-261-2394 / Fax 252-255-0876

www.southernshores-nc.gov

Request for Proposal for Audit Services

Date: December 29, 2022

Due Date: Thursday, February 16, 2023, by 3:00 p.m.

The Town of Southern Shores is seeking proposals from qualified auditors for the project entitled "Selection of the Independent Auditor". Enclosed are our specifications and bid proposal covering this work. Please review these documents carefully and the forms provided to submit your bid. All proposals are to be received by email or mail no later than **Thursday, February 16, 2023, by 3:00 p.m.** Each proposal should be clearly marked: "**PROPOSAL REPSONSE-SELECTION OF THE INDEPENDENT AUDITOR.**"

These materials should be mailed or delivered to:

Town of Southern Shores

Attention: Bonnie Swain, Finance Officer

5375 N. Virginia Dare Trail

Southern Shores, NC 27949

Email Address: bswain@southernshores-nc.gov

***** Facsimile submissions will NOT be accepted*****

Should you have any questions, please contact Bonnie Swain, Finance Officer at the Town of Southern Shores by phone at 252-261-2394, Ext. 224, by email bswain@southernshoes-nc.gov or in person at Southern Shores Town Hall at 5375 N. Virginia Dare Trail, Southern Shores, NC 27949.

NOTICE

Proposals will be received by the Town of Southern, until 3:00 p.m. Thursday, February 16, 2023, in the office of the Finance Officer, 5375 N. Virginia Dare Trail, Southern Shores, NC, at which time they will be considered for the following:

SELECTION OF THE INDEPENDENT AUDITOR

The right is reserved to reject any or all bids and to waive all informalities concerning bid, or award bid to the lowest responsible bidder or bidders, taking into consideration quality, performance and the time specified in the proposals before the performance of the contract.

REQUEST FOR PROPOSAL FOR AUDIT SERVICES – TOWN OF SOUTHERN SHORES, NC

The Town of Southern Shores (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 Southern Shores 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 Southern Shores. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Dare County, North Carolina.

Type of Audit

1. The audit will encompass a financial and compliance examination of the unit’s Annual Financial Report in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with Generally Accepted Auditing Standards; Government Auditing Standards, July 2018 revisions; the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State Single Audit Implementation Act; and all other applicable laws and regulations. By accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education requirements as specified in Government Auditing Standards. **The Auditor must provide a copy of their most recent Peer Review Report with their proposal.**
2. The scope of the audit and all fee quotes presented should include all approved and known pronouncements through the date of the proposal submission. This includes, but is not limited to, the Governmental Accounting Standards Board (GASB) statement 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 financial audit opinion will cover the financial statements for the governmental 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.

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

4. The audit will also include the following:
 - a. Pre-planning conference with Finance staff where both the auditor and Finance staff discuss their expectations of the audit.
 - b. Interim audit work prior to June 30th and/or prior to final close.
 - c. Attendance at Town Council meeting for presentation of the financial statements by Manager or Partner of the Audit staff with comments and potential questions from the Board as requested.
5. The audit should encompass all funds and entity-wide activities as reported in the Town's Annual Financial Report on June 30, 2022, and any additional funds or entity-wide activities that may be added subsequent to that date.
6. If required, the audit firm will issue a management letter to the Town Council upon completion of the audit. 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.
7. 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 on June 30 year-end. Cost for providing these services should be included in the auditor's base fee quote and will not be considered extra for additional billings. In cases, however, where services requested would require a more in-depth scope and require work significantly above the original fee quote, such additional fees must be negotiated prior to commencement of work.

Auditor Requirements

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

A planning meeting will be held each year to determine schedules that the 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.

The Town will contract with a local CPA with extensive local government accounting experience to prepare the financial statements, note disclosures and management discussion and analysis. The CPA will prepare an electronic draft of the Annual Financial Report and submit to the auditor by early October. The auditor will communicate all recommendations, revisions and suggestions for improvement within 10 days and the CPA will complete the final report. Once all issues for discussion are resolved the CPA will deliver the final electronic draft to the auditor to insert the auditor opinions and any compliance reports. The auditor will complete and submit the necessary Single Audit information to the Federal Audit Clearinghouse on behalf of the Town.

Meeting LGC deadlines is a high priority for the Town. Therefore, the Town of Southern Shores prefers interim fieldwork be completed in early June. Year-end fieldwork should begin by or before mid-August and be completed by late September. While many documents can be shared electronically, the Town expects that the audit firm staff will be onsite for fieldwork, including manager and partner level staff for at least a portion of the onsite work. **An agreed upon post-closing trial balance must exist by September 30.** The Finance Officer will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

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

Fifteen 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.

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 the approval.

Either the manager or partner of the audit staff is required to present and attend the Town Council's 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 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 on the basis of 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 Southern Shores 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, 2022 – June 30, 2023

July 1, 2023 – June 30, 2024

July 1, 2024 – June 30, 2025

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 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.

Description of Selection Process

The Town requests that no Town officials be contacted during this proposal process. Submit questions regarding the RFP in writing via email to bswain@southernshores-nc.gov Any additional information disclosed to participating audit firms prior to bid submission will be shared with all interested parties

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, qualifications of its personnel in performing governmental audits and audit approach. The second section will consist of a completed cost estimate sheet. The Finance Officer and Town Manager will evaluate the auditor/firm on experience, qualifications and audit approach and cost and the firm best meeting these requirements will be selected.

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

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. Three (3) copies and one (1) PDF of the proposal should be submitted at the time and place indicated under the section entitled “Time Schedule for Awarding Contract.”

First Section-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 manage the audit.
2. Indicate the number of people (by level) located within the local office that will manage the audit.
3. Provide a list of the 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 (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 one each audit. Indicate the percentages of time each senior and higher-level personnel will be on site. Relevant experience and education with the new GASB 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 (Municipal Water Utilities, Building Inspections, Stormwater, etc.).
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 contacted for a reference.
11. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book) July 2011 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
15. Provide a brief summation of the reasons you believe your firm should be selected. In particular, the Town is interested in the unique capabilities of your firm that distinguish it from other firms. Be specific and relate this discussion to how the Town will benefit by choosing your firm as an auditor

Audit Approach

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.

Second Section-Cost Estimate

Provide total costs using the Summary of Audit Costs Sheet for the audit year July 1, 2022, to June 30, 2023. For the two audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2023, 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.

Time Schedule for Awarding the Contract

No pre-proposal conference will be held.

Proposals can either be submitted electronically (email) bswain@southernshores-nc.gov or on paper by February 16, 2023. Envelopes containing proposals on paper should be clearly identified on the front with the words “**RESPONSE TO RFP FOR AUDIT SERVICES.**”

- ✓ Please note your email should include two separate pdf attachments for sections 1 and 2
- ✓ Envelopes should include three copies of the bound proposal (clearly separating section 1 and 2) and should be delivered to:

Town of Southern Shores
Attention: Bonnie Swain, Finance Officer
5375 N. Virginia Dare Trail
Southern Shores, NC 27949

The Finance Officer and Town Manager will review the proposals and make a recommendation to the Town Council. The Town Council will award the contract at its regularly scheduled meeting on March 7, 2023.

Description of The Town & Accounting System

Reference should be made to the most recent Annual Audited Financial Report for a general overview of the Town. A PDF copy of the most recent Annual Audited Financial Report is located on the Town’s website at www.southernshores-nc.gov or by emailing bswain@southernshores-nc.gov

Entity

The Town of Southern Shores, incorporated in 1979, and is located on the Outer Banks of North Carolina in Dare County. The Town is bordered by the Town of Duck to the North, the Town of Kitty Hawk to the South, the Atlantic Ocean to the East, and the Currituck sound to the West. The Town’s corporate boundary encompasses 4 square miles.

The U.S Department of commerce, Bureau of census 2020 estimates the Town’s population is 3,090 residents.

The Town operates under the council/manager form of government. Policy- making and legislative authority are vested in the Town Council, consisting of the mayor and four council members. The Mayor and Town Council serve four-year staggered terms, with all elections being non-partisan. The Town Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the Town Manager and Town Attorney. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the daily operations of the government, and for appointing heads of the Town's departments.

The Town provides numerous services for its citizens including, general administration, planning, zoning, building inspections, police, public works, maintenance of Town's, streets, and other infrastructures. The Town contracts with the Southern Shores Volunteer Fire Department to provide fire services for the Town. This report includes the fiscal activities of the Town in the provision of these services. The Town takes pride in the services offered to our citizens, and the mission of Town staff is to provide reliable, responsive, quality service to our customers at the lowest reasonable cost.

The Town is empowered to levy a property tax on real and certain personal properties located within its boundaries. Subject to various stipulations set by the North Carolina General Assembly.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. North Carolina General Statutes require that all governmental units in the State to adopt a balanced budget by July 1 of each year. An annual or project budget ordinance, as adopted and amended by the governing body, creates the legal limit on spending authorizations. The annual budget serves as the foundation for the Town's financial planning and control.

The Town of Southern Shores annual budget is adopted for the General and Capital Reserve Funds. The budget is prepared by fund, and department (e.g., police, public works). Transfers within the same fund between different departments are allowed in the annual budget ordinance by the Town Manager. Transfers of appropriations between funds require approval of the Town Council. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

Funds

The Town currently has the following funds:

- One general fund

- One capital reserve fund for various items of capital – a subsidiary worksheet is maintained showing the detail of each capital item. Per financial reporting guidelines this is consolidated in the general fund for basic financial statement purposes.
- Capital project fund for beach nourishment
- One special revenue fund for American Recovery Plan funds (ARPA)

Grants, Entitlements and Shared Revenues

The Town expects the following Federal awards in fiscal year 2023:

- American Rescue Plan (\$ 471,353.52) the second tranche to be used in fiscal year 2023. \$471,353.52 was spent in fiscal year 2022 for supplanting salaries under the lost revenue category.

The Town expects the following State awards in fiscal year 2023:

- NC Department of Environmental Quality – The Town received \$ 1,408,247 in fiscal year 2022 for beach nourishment however the funds were not expended until fiscal year 2023. This amount was reported as prepaid in fiscal year 2022.
- NC Powell Bill – approximately \$ 130,000.

Budgets

In accordance with State law, the Town’s budget is prepared on the modified accrual basis of accounting and its accounting records are also maintained on that basis. Revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred.

Accounting Records

The town maintains all its accounting records at the Finance Office located at 5375 N. Virginia Dare Trail, Southern Shores, NC 27949.

Assistance Available to Auditor

The Town has designated the Finance Officer as the person with the suitable skills, knowledge and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the auditor. The Town will make available to the auditor sufficient help to provide requested information and prepare necessary confirmations. A copy of the balance sheets and budget to actual revenue and expenditure reports will be made available by September 1. The following accounting procedures will be complete, and supporting documents prepared by the Town staff no later than September 1.

General

1. Balance sheets for all funds.
2. Statement of Revenues, Expenditures and Transfers (compared to budget) for all funds.

3. General ledger transaction detail for all accounts available upon request.
4. A copy of the original budget, all amendments and a supporting Excel worksheet which reconciles original adopted budget to final amended budget.
5. A copy of all project ordinances and all amendments for active projects during the audit period.
6. A copy of all board policies with any relevance to finance including contracts with vendors, travel policy, investment policy, fund balance policy, purchasing policy, internal control policy, allowable cost policy, conflict of interest policy, non-discrimination policy, record retention and uniform guidance policies.
7. Copies of all board meeting minutes – also available online.
8. Copies of all correspondence with the Local Government Commission including semi-annual Cash and Investment Reports (LGC-203), unit letters, letters regarding the audited financial statements and compliance reports where applicable.

Cash and Investments (NCCMT is the only investment)

1. Bank statements and reconciliations for all bank and investment accounts at June 30 including outstanding check detail and deposits in transit (reports available for all months).
2. Bank confirmation for North Carolina Capital Management Trust at June 30 (bank accounts typically require an electronic confirmation via auditor).
3. Schedule of cash and investment balances at June 30 (showing applicable FDIC insurance coverage)

Payroll and Retirement

1. Schedule of accrued but unpaid payroll at June 30 – reconciled to general ledger
2. Schedule of accrued vacation, compensatory time and accrued sick leave at June 30.
3. Summary of retirement expense (LGERS and 401K) by month.
4. Support for all payroll liabilities on balance sheet at June 30.
5. Reconciliation of salaries paid in fiscal year – salaries in general ledger are reconciled to Forms 941 and retirement wages. A comparison of general ledger salaries to the prior year is prepared with an explanation for any significant variances.
6. Actuarial valuation for Law Enforcement Officers Separation Allowance (LEOSSA).
7. Actuarial valuation for Other Post-Employment Benefits (retiree health).
8. LGERS template completed for reporting actuarial data.

Revenues

1. NC shared revenues are reconciled to North Carolina confirmation report.
2. Dare County shared revenues and taxes collected are reconciled to Dare County revenue report.
3. Dare County collects property taxes for the Town of Southern Shores – annual tax scroll and all year-end tax reports are available.
4. Schedule of taxes receivable.
5. Analysis of tax levy prepared for town-wide tax and municipal service district taxes.
6. Schedule of due from other governments at June 30.
7. Schedule of other miscellaneous receivables at June 30.

Capital Assets

- 1. Schedule of all capital asset acquisitions made during the audit year.
- 2. Schedule of all capital asset dispositions made during the audit year.
- 3. Listing of all capital assets at June 30 sorted by group and function.
- 4. Schedule of depreciation expense for the audit year.

Current Liabilities

- 1. Schedule of accounts payable by fund at June 30.
- 2. Schedule of any other current liabilities applicable.

Long-term Debt (in addition to vacation, compensatory time, LGERS, LEOSSA and OPEB)

- 1. Summary of long-term debt showing beginning balance, additions, principal, and interest payments and ending balance.
- 2. Copies of debt agreements for any new debt or debt outstanding at June 30.

Reserves

- 1. Restricted by state statute calculation. Separate schedule of open purchase orders at June 30
- 2. Schedule of Federal and State funds reserved for drug enforcement.
- 3. Copy of Powell Bill report for fiscal year showing any reserved portion at June 30.

Grants

- 1. Grant agreement.
- 2. Grant budget.
- 3. All financial reports.
- 4. Correspondence with grantor agency including reimbursement requests and any monitoring reports.
- 5. CFDA# and/or pass-through grant #.

Size and Complexity of City

Personnel/Payroll

Number of employees	25 Full time
Frequency of payroll	<u>Bi-Weekly</u>
Number of payroll direct deposit advises monthly	60 per month approx.

(All employees PT and FT, not including seasonal)

Property Tax collected by Dare County

Total dollar amount of most recent year’s collections	\$4,189,953
Total dollar amount of levy	\$4,199,149

Purchasing

Number of purchase orders issued (FY22)	500 approx.
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Bank Accounts

Number of bank accounts	2
Number of investment accounts	1
NC Cash Management Trust Government Portfolio	
Average monthly activity in Central Depository:	
Number of deposits	20
Number of checks	75 approx.

The following financial applications are on the Abila Sage software computer system:

General Ledger	Accounts Payable
Accounts Payable	Capital Assets
Payroll & Human Resources	Purchasing

Other Information:

The Town's fiscal year ending June 30, 2022, audit has been submitted to the LGC.

The Town does not maintain an internal audit function.

Notification of Award:

The successful respondent will be notified of the award of contract following the favorable decision made by Town Board. No other proposers will be personally contacted.

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

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.

It is understood by the Offeror that The Town of Southern Shores reserves the right to reject all Proposals, to waive formalities, technicalities, and to recover and rebid this RFP.

This RFP for Audit Services is submitted by:

Firm Name: _____

Authorized Representative Name: _____
(Please Print)

Title: _____ **Email:** _____

Telephone: _____

Preferred Method of Contact: _____

Address: _____

This RFP is valid for sixty (60) calendar days from the RFP due date.

A certificate of insurance and W9 must be received prior to any work being done.

SUMMARY OF AUDIT COSTS WORKSHEET

1. Audit Firm Personnel Costs – itemize the following for each category of personnel:

	On Site Interim Hours	On Site Year-End Hours	Work in Auditor's Office	Total Hours	Hourly Rate	Total Cost
Partner						
Manager/Sr						
Accountant						
Clerical						
Total Personnel Costs						

2. Total audit cost:

	FY 23 Binding	FY 24 Estimated	FY 25 Estimated
Total Personnel Costs from above			
Travel (if any)			
Other costs:			
TOTAL COST			

3. If applicable, note your method of determining increases in audit costs on a year-to-year basis.