

**TOWN OF EAST GREENWICH
RHODE ISLAND
REQUEST FOR PROPOSALS
AUDITING AND AGREED-UPON PROCEDURES SERVICES**

The Town of East Greenwich is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2017, with the option of auditing its financial statements for each of the 2 subsequent fiscal years.

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

Accounting firms interested in submitting a proposal should request a copy of the audit and agreed-upon procedures specifications through the Town Finance Office at 125 Main Street, East Greenwich, RI 02818.

To be considered, three copies of a proposal must be received by Thomas E Coyle III at 125 Main Street, East Greenwich, RI 02818 by **12:00 PM on May 22, 2017**. The Town of East Greenwich reserves the right to reject any or all proposals submitted. The Town of East Greenwich is an Equal Opportunity Employer.

Kristen Benoit
Finance Director

TOWN OF EAST GREENWICH REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The Town of East Greenwich is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2017, with the option of auditing its financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, established by the American Institute of Certified Public Accountants, the standards set forth for financial audits in the *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements as well as the following additional requirements:

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

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

To be considered, three copies of a proposal must be received by Thomas E. Coyle III at 125 Main Street, East Greenwich, RI 02818 by 12:00 PM on May 22, 2017. The proposals will be opened on May 22, 2017 at 12:00 PM. The Town of East Greenwich reserves the right to reject any or all proposals submitted.

During the evaluation process, the Town reserves the right, where it may serve the Town of East Greenwich'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 Town of East Greenwich, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Town of East Greenwich 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 Town of East Greenwich and the firm selected.

It is anticipated that the selection of a firm will be completed by May 25, 2017. Following the notification of the selected firm it is expected a contract will be executed between both parties by May 30, 2017.

B. Term of Engagement

A three-year contract is contemplated, subject to the annual review and recommendation of the Finance Director with the concurrence of the East Greenwich Town Manager.

II. NATURE OF AUDIT SERVICES REQUIRED

A. General

The Town of East Greenwich is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2017 with the option to audit the Town of East Greenwich'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 Town of East Greenwich 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 Town of East Greenwich 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 comprehensive 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 is not required to audit the statistical section of the report.

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.

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

Other schedules may be required by the Town and/or the State of Rhode Island Director of Revenue, Auditor General, and Department of Education or as required by the applicable section of the general laws such as, Rhode Island General Laws Section (RIGL) 45-10-6 (Contents of Audit Report).

The Tax Collector's Annual Report shall be presented within Other Supplementary Information to meet the requirements of RIGL 45-10-6 for additional information to the basic financial statements. The Tax Collector's Annual report should be presented in accordance with the revised format requirements of the RI Department of Revenue - Division of Municipal Finance (available on the Division's website). The auditors engaged to audit the municipality's financial statements shall also report on the Tax Collector's Annual Report, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Municipal Transparency Portal (MTP) - Enacted legislation amended Rhode Island General Laws §45-12-22.2 and §44-35-10 to improve required reporting by creating the Municipal Transparency Portal (MTP) which will represent a centralized location for municipal financial information. Each municipality shall include their Annual Supplemental Transparency Report, MTP2, within their annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements.

The auditors engaged to audit the municipality's financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Auditors are not required to opine on the municipality's determination of "reportable government services" (RGS) as defined in Section 2.1 of the Municipal Transparency Portal Implementation Guidance. The municipality will make the determination of "reportable government services" for inclusion in the various reports required to be submitted through the municipal transparency portal. However, auditors will be expected to review the reconciliations as part of the Annual Supplemental Transparency Report, MTP2, (required for inclusion in the audited financial statements as supplementary information) to assess the inclusion of amounts reported which are not within the municipality's or school's general fund.

The format of the required MTP schedules and related reconciliations, as well as, the typical timeline for filing of the annual municipal data report and coordination with annual financial statement audit, are detailed in the MTP Implementation Guidance (available on the Division of Municipal Finance website).

The Independent Auditor's Report would typically include reference to the Annual Supplemental Transparency Report, MTP2, as supplementary information. See the Municipal Transparency Portal Implementation Guidance for additional information.

The State is implementing the new reporting using three phases of pilots. Phase I pilots implemented the above requirements for the fiscal year ended 2016. Phase II pilots will implement the above requirements for the fiscal year ending 2017 and Phase III will implement for the fiscal year ending 2018. The auditor should coordinate with their client to determine the pilot phase and level of reporting required for each fiscal year.

C. Auditing Standards to be followed

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

Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the provisions of U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
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). A completed Form SF-SAC, "Data Collection Form for Reporting on Audits of State, Local Governments and Non-Profit Organizations" to be submitted in accordance with the submission requirements for Form SF-SAC and Single Audit reporting packages (per OMB public Notice), to the Federal Audit Clearinghouse Internet Data Entry System.
4. Other reports that may be requested by the Director of Revenue, Auditor General, Rhode Island Department of Education or as required by the applicable section of the general laws.
5. The Annual Supplemental Transparency Report, MTP2, shall be included within the annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements.

The auditors engaged to audit the financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

6. Combining fund financial statements shall be presented as supplementary information for all non-major governmental funds. Each non-major fund (included within the Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds) shall be presented as separate columns in the combining fund financial statements. Similarly, combining financial statements shall also be presented for each of the other fund types when there is more than one internal service fund, enterprise fund, and fiduciary fund.

Combining financial statements shall be presented for the General Fund when separate funds are maintained within the accounting system but the funds do not qualify as special revenue funds, in accordance with generally accepted accounting principles, and are merged with the General Fund for financial reporting purposes. If the general operations of the school department do not qualify as a special revenue fund and is merged with the General Fund, the supplementary information shall also include a Budget and Actual Statement for the school department.

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 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/or recommendations beyond those included in the reports described above, on such matters as:

1. policies, procedures and practices employed by the municipality and by the School Department.
2. weaknesses in the internal controls that are not "significant deficiencies."
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 Finance Director of East Greenwich, with copies to the Director of Revenue and the Auditor General. 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.

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) Town Manager
- 2) Town Council

E. Special Considerations

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

1. The Town of East Greenwich will send its comprehensive annual financial report (CAFR) to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement of Excellence in Financial Reporting program. It is expected that the auditor will be responsible for printing the CAFR. The auditor will also be responsible for preparing the financial statements to meet the necessary guidelines of the program. All supplementary information currently in the CAFR is expected to be provided by the auditors in all future CAFR reports.
2. Draft copies of all audit reports and management letters shall be submitted to the Finance Director of the Town prior to the exit conference so that there will be adequate time for review.
3. 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 comprehensive annual financial report.
4. 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.

All audit documentation and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the Town of East Greenwich 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 AGREED-UPON PROCEDURES SERVICES REQUIRED

The East Greenwich School District implemented a 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.

IV. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact People

Kristen Benoit
 Finance Director
 886-8609

B. Background Information

The Town of East Greenwich serves an area of 16 square miles with an estimated population of 12,948. The Town of East Greenwich's fiscal year begins on July 1 and ends on June 30.

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

C. Fund Structure

The Town of East Greenwich used the following fund types and account groups in its financial reporting for the fiscal year ending June 30, 2016:

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
General	1	1
School Fund	1	1

Town Special Revenue	32	0
School Special Revenue	23	0
Capital Project	2	0
Permanent	9	0
Enterprise	1	0
Agency	2	0

D. Budgetary Basis of Accounting.

The Town of East Greenwich 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 a budgetary basis.

E. Computer Systems

The Town presently utilizes MUNIS software. All financial applications are processed through this system.

F. Availability of Prior Year Audit Reports and Documentation

Interested proposers who wish to review prior years' audit reports and management letters should contact Kristen Benoit at 125 Main Street East Greenwich, RI 02818, or by calling (401) 886-8609. The Town of East Greenwich will use its best efforts to make prior year audit reports and supporting audit documentation available to proposers to aid their response to this request for proposals. The CAFR can also be found on the Town's Website.

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	May 4, 2017
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Due date for proposals	May 22, 2017
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B. Notification and Contract Dates

Selected firm notified	May 25, 2017
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Contract date	May 30, 2017
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C. Date Audit May Commence

The Town of East Greenwich will have all records ready for audit and available by September 15, 2017.

- D. Schedule for the 2017 Fiscal Year Audit (A similar schedule will be developed for audits of future fiscal years if the Town of East Greenwich exercises its option for additional audits.)

Each of the following shall be completed by the auditor no later than the dates indicated.

1. Interim Work

The firm shall complete all interim work by July 15, 2017.

2. Detailed Audit Plan

The firm shall provide the Town of East Greenwich by June 16, 2017, both a detailed audit plan and a list of all schedules to be prepared by the Town of East Greenwich.

3. Fieldwork

The firm shall complete all fieldwork by October 13, 2017.

4. Draft Reports

The firm shall have drafts of the audit report(s) and recommendations to management for review by the Finance Director by October 27, 2017.

- E. Date Final Reports are Due is Nov 10, 2017

The Finance Director shall prepare preliminary trial balances, and all required supplementary schedules by September 15, 2017. The firm shall provide all recommendations, revisions and suggestions for improvement to the Finance Director by October 13, 2017. A draft report shall be delivered to the Finance Director by October 27, 2017.

The Finance Director will complete the review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the firm should be available for any meetings that may be necessary to discuss the audit reports of the Town 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 November 10, 2017. If the dates are not met, the Town of East Greenwich will deduct from the audit fee, \$200 per day for each business day any of the above dates are delinquent.

The final report, 20 signed copies, and an electronic version of the full report in pdf format suitable for posting on the Town's website and for the Town of East Greenwich's submission to the Auditor General and the state Director of Revenue should be delivered to Kristen Benoit Finance Director at 125 Main Street East Greenwich, RI 02818.

The final agreed-upon procedures report and 20 copies shall be delivered to Kristen Benoit, Finance Director, at 125 Main Street East Greenwich, RI 02818.

The Town of East Greenwich shall provide the agreed-upon procedures report 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.

VI. ASSISTANCE TO BE PROVIDED TO THE FIRM 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 Town of East Greenwich based on information requested by the firm.

B. Electronic Data Processing (EDP) Assistance

The Data Processing Manager will be available to provide systems documentation and explanations.

C. Statements and Schedules to be Prepared by the Staff of the Town of East Greenwich.

The staff of the Town of East Greenwich Finance Department will prepare the statements and schedules outlined in the Detailed Audit Plan (Section V.D.2), for the firm by September 15, 2017.

D. Work Area, Telephones and Photocopying

The Town of East Greenwich will provide the firm with reasonable workspace, desks and chairs. The firm will also be provided with access to telephone lines and photocopying facilities. All long distance telephone calls not associated with the East Greenwich audit are to be reimbursed by the firm to the Town. A telephone log sheet shall be maintained by the firm and be given to the Financial Controller at the end of each month.

E. Report Preparation

Report preparation, editing and printing shall be the responsibility of the firm. CAFR sections in the report will be prepared in conjunction of the audit. The Management Discussion and Analysis (MD&A) section of the report may require that some pages are printed in color. Future changes to the MD&A section may require additional color printing.

VII. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

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

Kristen Benoit CPA
Finance Director
125 Main Street
East Greenwich, RI 02818

2. Submission of Proposals

The following material is required to be received by 12:00 PM May 22, 2017, for a proposing firm to be considered:

a. A master copy (so marked) of a Technical Proposal and two copies to include the following:

i. Title Page

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

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it 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.

iv. Detailed Proposal

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

v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposals (Appendix A and Appendix B)

b. The proposer shall submit an original and 2 copies of a dollar cost bid (Appendix C) in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID
PROPOSAL
FOR

TOWN OF EAST GREENWICH
FOR
PROFESSIONAL AUDITING SERVICES
AGREED-UPON PROCEDURES SERVICES
MAY 22, 2017

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

THOMAS E. COYLE III
TOWN MANAGER
TOWN OF EAST GREENWICH
125 MAIN STREET
EAST GREENWICH, RI 02818

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 and agreed-upon procedures of the Town of East Greenwich in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify the approach that will meet the request for proposals 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 audit services requirements in, items Nos. 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 and *Government Auditing Standards*.

The firm should also list and describe the firm's professional relationships involving the Town of East Greenwich 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 any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.

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 is required*. 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 July 1996 and the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and will conduct the audit and will 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.

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 Town of East Greenwich. However, in either case, the Town of East Greenwich 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 Town of East Greenwich, 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. However, the Town of East Greenwich retains the right to approve or reject replacements.

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

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 EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the Town of East Greenwich'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 Town of East Greenwich.

9. Report Format

The proposal should include sample formats for required reports. A sample municipal audit report must be enclosed for the Town'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 and the agreed-upon procedures as described in this request for proposals. The dollar cost bid should specifically identify the fee for the audit services and the fee for the agreed-upon procedures. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The Town of East Greenwich 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 Town of East Greenwich.
- c. A Total All-inclusive Maximum Price for the 2017 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 Town of East Greenwich to request the firm 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 Town of East Greenwich and the firm. Any such additional work agreed to between the Town of East Greenwich 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.

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 Town of East Greenwich.

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

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.

1. Mandatory Elements

- a. The firm is independent and licensed to practice in Rhode Island.
- b. The 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 Town of East Greenwich.
- 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.
- f. The firm's capacity to meet required deadlines (e.g. staffing levels and other government engagements with similar due dates).
- g. The firm's track record for meeting contractual deadlines for completion of audits.

2. Technical Qualifications:

- a. General Qualifications and Experience
- b. 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.
- c. Audit Approach
 1. Adequacy of proposed staffing plan for various segments of the

Engagement.

- 2. Adequacy of sampling techniques.
- 3. Adequacy of analytical procedures.

3. Price

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

An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters. 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
Maximum evaluation points 100	100

* 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.

B. Oral Presentations

During the evaluation process, the Town 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 Town may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

C. Final Selection

The Town Council will select a firm based upon the recommendation of the Town Administrative staff.

It is anticipated that a firm will be selected by May 25, 2017. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 30, 2017.

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 Town of East Greenwich and the firm selected.

The Town of East Greenwich reserves the right without prejudice to reject any or all proposals.

State of Rhode Island

Uniform Chart of Accounts (UCOA)

Annual Compliance Testing Requirements

- Overview
- Compliance Testing Requirements
- Compliance Reporting Requirements
- Exhibit 1 – Sample Reporting Template

Office of the Auditor General

10/18/2016

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

OVERVIEW:

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

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

The municipal school district, regional school district, collaborative, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education (RIDE) and the Office of the Auditor General by December 31 or at the conclusion of the annual audit if an extension has been approved by the Auditor General. For school districts, regional school districts, collaboratives, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall also be provided by December 31 for the activity related to the year ended on the preceding June 30.

COMPLIANCE TESTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29. For practitioner's reports dated on or after May 1, 2017, the guidance in the clarified attestation standards (SSAE No. 18) shall be followed – AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. Also beginning with fiscal 2017 engagements, the auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67.

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

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

Alternatively, the auditor may obtain a preliminary fiscal year file from the reporting entity's accounting system for purposes of selecting a sample of transactions to test. When a preliminary file is used for

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

selecting the sample, the auditor will be required to reconcile changes from the preliminary file to the final validated upload file and determine the significance of any changes and assess the validity of the sample.

Sample size shall be determined as follows:

- Smaller school districts, regional school districts, collaboratives, or charter schools having aggregate fiscal year expenditures of less than \$5 million shall utilize a minimum sample size of **35** transactions to be tested for UCOA coding compliance.
- School districts, regional school districts, collaborative, or charter schools, having aggregate fiscal year expenditures greater than \$5 million but less than \$50 million, shall utilize a minimum sample size of **45** transactions to be tested for UCOA coding compliance provided there are no significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit. School districts, regional school districts, collaboratives, or charter schools with expenditures greater than \$5 million which also have significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit shall utilize a minimum sample size of **60** transactions.
- School districts, regional school districts, collaboratives, or charter schools, having aggregate fiscal year expenditures greater than \$50 million, shall utilize a minimum sample size of **60** transactions to be tested for UCOA coding compliance.

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

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

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

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.

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

2. UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if the entity’s systems and procedures support the following UCOA requirements:

- Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school as reported in the final audited financial statements.
- The UCOA accounts and methodologies are maintained within the actual accounting systems and are not converted to UCOA requirements outside of the accounting system.

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

Note: *The reporting entity will be required to amend its UCOA upload file to include final amounts which reflect audit adjustments, if applicable.*

Determine if the amounts reported (uploaded) to the UCOA database are present in form and content within the accounting system of the reporting entity by requesting a copy of the last report of coding errors identified by RIDE just prior to the final upload with zero errors. Trace to the corrections made to the school’s accounting system to address the errors. All errors shall be tested, up to a maximum of five errors if more than five errors are listed.

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

UCOA Rules to be Tested:

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

4. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.
- Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.
- Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account.

Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1).

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

If the entity is using the intra-fund UCOA Allocation Tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.

UCOA Rules to be Tested:

- ❖ *In all cases, compensation costs and related benefit costs for each employee must be accounted for in the same Fund/Subfund – they may not cross Funds. Districts may NOT account for the compensation in one Fund/Subfund and the benefits in another. For example, if 50% of an individual's salary is charged to the General Fund and 50% to a Special Revenue Fund, then the allocations of Benefits MUST follow the exact same percentages. When related to a particular grant, if the grant is insufficient to cover all the costs, the same prorated amount for each category (compensation and benefits) shall be used up to the limit of the grant.*
- ❖ *Charges to the Location segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: For employees who perform their job requirements at multiple locations and performance of those duties requires a minimum of 20% of their time to any given Location those costs must be charged to the applicable Location accounts accordingly. If however, the performance of duties at any given Location is less than 20% of their time, charges to those locations are not required, but are permissible.*
- ❖ *Charges to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: If an employee has a "Hands-On" relationship to multiple activities being performed and performance of those duties requires a minimum of 20% of their time to any given activity (Function), those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the "Hands-On" work, is less than 20% of their time, charges to those Functions are not required, but are permissible.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110 (Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).*
- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*
- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing **less** than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach **more** than 10% of their time must record instruction time to Subject 0000 (General Education).*
- ❖ *For Short-Term Substitute Teachers (Job Classifications 1295-1299) with Function 112, use only Subject 0000 for all compensation and directly-related benefit accounts.*

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

- ❖ For Long Term Substitute Teachers (Job Classification 1294) with Function 112, use the Subject for the job for which the Substitute has been engaged to teach for all compensation and directly-related benefit accounts.
- ❖ For all Substitute Teachers (Job Classifications 1294-1299) with Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace, for all compensation and directly-related benefit accounts. However, when a Substitute Teacher teaches multiple subject in a given day (e.g. Math and English), Subject 0000 may be used in place of the specific subject for which they are subbing. Use of this exception should be limited.

5. Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

- **Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.**
- **Object 51302 represents additional payments made to a teacher for attending school-based professional development.**
- **Object 51303 represents additional payments made to a teacher for attending District-based professional development.**
- **Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.**

A review of union contracts and the adopted budget will provide information related to professional development to be offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to both Object accounts and which may have been selected in compliance testing requirement 1 or 4).

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

UCOA Rules to be Tested:

DEFINITION: Object 51113 - Professional Days. Full-time, part-time, and prorated portions of the costs for professional development days for employees of the District.

- Include in **Object 51113** (Professional Days) the amount prorated from Object 51110 (Regular Salaries) the actual number of days included in applicable contracts and agreements relating to Professional Days or Professional Development or prorated based on the anticipated number of days if not specified in the contracts.
- For **Object 51113**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For each employee, use the same Location, Program, Subject, and Job Classification account number as is used with Object 51110 (Regular Salaries).

DEFINITION: Object 51302 – Professional Development - School. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to School-based (and budgeted at the School level) professional development.

DEFINITION: Object 51303 – Professional Development - Districts. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to District-based (and budgeted at the District level) professional development.

- For **Objects 51302 and 51303**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

For employees whose Function account is in the 100 or 200 Series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" Concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500.

*For employees whose Function account is in the 300 or 400 Series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 **only**.*

DEFINITION: Object 53301 – Purchased Professional Development and Training Services. Services supporting the professional development and training of District personnel, including instructional and administrative employees. Also applies to fees paid to consultants who attend training sessions provided by the District.

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

- For **Object 53301**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

Use the specific Subject account for the Subject to which Professional Development Services are rendered ("Follow the Topic"). For General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. Subjects 9700, 9800, and 9900 may not be used.

COMPLIANCE REPORTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29. For practitioner’s reports dated on or after May 1, 2017, the guidance in the clarified attestation standards (SSAE No. 18) shall be followed – AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. Also beginning with fiscal 2017 engagements, the auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67.

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

Refer to Exhibit 1 for the agreed-upon procedures and the format for reporting the procedures performed and results of testing.

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

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

EXHIBIT 1 – Sample Reporting Template

REQUIREMENT 1:

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

PROCEDURES:

Obtain a copy the school entity’s signed acknowledgment of the UCOA File Validation Totals Report received from the RI Department of Education (RIDE). Obtain a detailed transaction level file from the school entity’s accounting system which corresponds with the final UCOA upload file provided to RIDE.

Describe procedures for selecting the sample, the sample size selected, and the tests performed in accordance with the criteria outlined on pages one and two of this document. Please note - If a preliminary fiscal year file is used for selecting the sample, reconcile changes from the preliminary file to the final validated upload and determine the significance of any changes and assess the validity of the sample.

RESULTS:

For each instance of noncompliance, enter the transaction detail in the table below. Highlight the account number segment that is not in compliance, as shown in the example below. Describe the purpose of each transaction, the error(s), and correction(s) immediately following the table. Rows may be added or deleted from the table, as necessary.

Item	Fund/ Subfund	Location	Func	Prog	Subject	Object	Job Class (personnel costs only)	Date	Payee	Amt	Corrected per final UCOA file
A	10000000	05105	214	10	2500	51110	1712	03/15/12	Nurse Employees	\$5,000.00	Yes
B	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	\$XXXXXX	Yes/No
C	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	\$XXXXXX	Yes/No

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

B -

C -

SCHOOL RESPONSE: (if applicable)

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

REQUIREMENT 2:

UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if total activity (revenue and expenditures) for the fiscal year as reported (uploaded) to the UCOA database, as of the final upload date, reconciles to the total activity within each Fund/Subfund as reported in the final audited financial statements and if the amounts reported (uploaded) to the UCOA database are present in UCOA form, content and amounts within the accounting system of the reporting entity.

PROCEDURES:

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). The following template should be used for reporting the reconciliation between the UCOA upload file and the audited financial statements. Trust and Agency Funds are to be excluded from the reconciliation.

***Please note** – Transfers between funds on a GAAP basis (e.g., transfer of appropriations from the municipality's general fund to the unrestricted school fund) are treated as revenues in the unrestricted school fund for UCOA reporting and should be reported as a proper reconciling item.*

Request from RIDE a copy of the reporting entity's last error report just prior to the school's final UCOA file upload with zero errors. Trace the errors listed on the report to the corrections made within the accounting system for the same reporting period. (Please Note - If the error report lists more than five coding errors, a maximum sample of five errors shall be tested.)

RESULTS:

Variiances between the UCOA upload file and audited financial statements shall be identified in the following reconciliation template.

Describe the results from tracing the UCOA coding errors identified in the upload process to the corrections posted in the accounting system. Specifically identify in detail any coding errors that were not corrected in the accounting system.

SCHOOL RESPONSE: (if applicable)

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

UCOA - Agreed-upon Procedures - reconciliation template		
UCOA annual upload file reconciled to audited financial statements		
	Revenues	Expenditures/Expenses
Amounts from the audited financial statements (funds that include activity included in the total UCOA upload file):		
Unrestricted School Fund	X	X
School special revenue funds	X	X
School capital project funds	X	X
School Enterprise funds (School Lunch operations)	X	X
Other: <i>(identify fund)</i>	X	X
Other: <i>(identify fund)</i>	X	X
Total		
Adjustments/reconciling items:		
Less: State share of teacher pension contribution - on-behalf payments	X	X
Less: State share of transportation - on-behalf payments	X	X
Add: Local appropriation to schools reflected as a transfer on financial statements and revenue per UCOA	X	
Less: indirect cost recoveries included as revenue in unrestricted school fund	X	
Less: GAAP recording of capital lease - capital outlay expenditures		X
Add: Use of fund balance reported as revenue in UCOA	X	
Other reconciling items		
Other reconciling items		
Adjusted totals		
UCOA - final upload file (including final audit adjustments)		
specify upload date _____		
Adjustments/reconciling items:		
Adjusted totals		
Unreconciled variance	0	0
<i>Revised October 2016</i>		

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 to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- b. The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program, or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- c. Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.

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

- d. Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.
- e. Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.

PROCEDURES:

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1). Describe sample selection process. (Please note - If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.)

RESULTS:

Describe payroll system and whether the system interfaces directly with the general ledger system and whether it is designed to post directly to the proper UCOA code or if there are a significant amount of manual adjustments and journal entries to allocate payroll costs. Conclude if the entity's procedures are reasonable and sufficient to meet the payroll and related benefit requirements of UCOA.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 5:

Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

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

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- c. Object 51303 represents additional payments made to a teacher for attending District-based professional development.
- d. Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

PROCEDURES:

Review union contracts and adopted budget to identify professional development offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

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

Describe any additional procedures performed.

RESULTS:

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

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