

PROPOSAL FOR AUDITING SERVICES FOR

TOWN OF BARRINGTON

FOR THE FISCAL YEAR ENDING
DECEMBER 31, 2020

WITH OPTIONAL EXTENSIONS FOR 2021, 2022, 2023, 2024, & 2025

SUBMITTED BY:

Plodzik & Sanderson, P.A.

193 North Main Street

Concord, New Hampshire 03301

Tel. (603) 225-6996

plodziksanderson@plodzik.com



Contact Person:

Michael J. Campo, CPA

Director



Date Submitted:
December 30, 2020

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ATTACHMENT

Appendix I – *Peer Review Letter*



James A. Sojka, CPA*

Sheryl A. Pratt, CPA***

Michael J. Campo, CPA, MACCY

December 30, 2020

Ms. Amy Doherty, Finance Administrator
Town of Barrington
PO Box 660
Barrington, NH 03825

Scott T. Eagen, CPA, CFE

Karen M. Lascelle, CPA, CVA, CFE

Ashley Miller Klem, CPA, MSA

Tyler A. Paine, CPA***

Kyle G. Gingras, CPA

Thomas C. Giffen, CPA

Ryan T. Gibbons, CPA, CFE

Brian P. McDermott, CPA**

Justin Larsh, CPA

Sylvia Y. Petro, MSA, CFE

Re: Audit Proposal

Thank you for the opportunity to submit this proposal to the Town of Barrington for external audit services for the fiscal year ending December 31, 2020, with optional extensions for years ending 2021, 2022, 2023, 2024, and 2025. Based on our experience auditing municipal entities, I am confident Plodzik & Sanderson, P.A. can provide the Town of Barrington with a level of service from a certified public accounting firm the Town is seeking.

Our success has been driven by utilizing staff that is experienced and well trained exclusively in governmental operations. Plodzik & Sanderson, P.A. recognizes that its most important product is prompt and efficient service of the highest quality. We know that communication, expertise, education, and audit approach are important factors in the Town's relationship with an audit firm. We have addressed each factor as follows:

- **Communication** – A component of our philosophy is that we will assist clients in reaching their maximum potential by open communications and teamwork. This means we will do the following for you:
 - Present a clear audit plan prior to commencement of fieldwork.
 - Provide an exit conference with the Board of Selectmen and Town Administrator that not only addresses audit issues, but offers suggestions to make your work easier.
 - Return phone calls and emails promptly.
 - Respond to phone calls and routine questions without additional charge.
- **Expertise and Experience of our Team** – We believe that our experience with governmental entities is greater than most other certified public accounting firms.
 - We audit 184 units of government in the State of New Hampshire, and have government audit experience in Maine and Vermont.
 - Our 17 dedicated staff members devote 95 percent of their time to government services.
 - In total, we spend over 27,000 hours annually serving governments similar to yours.

PLODZIK & SANDERSON, P.A.
Certified Public Accountants

* Also licensed in Maine

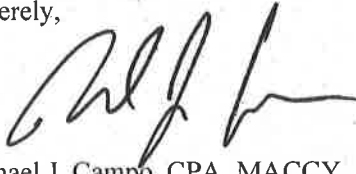
** Also licensed in Massachusetts

*** Also licensed in Vermont

- **Team Education and Resources** – Plodzik & Sanderson, P.A. is committed to providing a team environment that fosters growth and development through continuous training and learning. The following demonstrates our commitment to professional training:
 - Members of Plodzik & Sanderson, P.A. have lead seminars for New Hampshire Government Finance Officers' Association, New Hampshire Municipal Association, the New Hampshire Tax Collector's Association, the New Hampshire and Tri-State Association of School Business Officials, and the New Hampshire School Administrators Association.
 - Plodzik & Sanderson, P.A. provides seminars to our clients such as basic bookkeeping of the government accounts when weaknesses are identified during the audit. These seminars will reinforce the proper accounting and internal control methodologies to be followed.
 - Directors and members of senior management mentor staff and ensure they receive customized training appropriate for your government.
- **Audit Approach** – Our approach to an audit is heavily dependent on risk-based audit standards and communication.
 - We will obtain an understanding of the Town and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.
 - Analytical procedures will be applied to some extent to assist in planning the nature, timing and extent of other audit procedures.
 - We will analyze current financial information and compare it with prior periods to measure trends.
 - We will design and perform substantive procedures for all relevant assertions related to each material class of transactions, account balances, and disclosure.

If awarded the contract, Plodzik & Sanderson, P.A. agrees to provide the services set forth in this proposal and at the fees set forth herein. Thank you again for this opportunity to submit our audit proposal to you. If you have any questions, please do not hesitate to contact me.

Sincerely,



Michael J. Campo, CPA, MACCY
Director



Proposal for Auditing Services

PROFESSIONAL EXPERIENCE AND QUALIFICATIONS

The Firm

Our Firm has been a leader in the municipal sector since the Firm was founded in 1975 by Stephen Plodzik and Robert Sanderson. The Firm provides auditing, accounting, forensic accounting, taxation, and management advisory services to a wide range of governmental, commercial, and non-profit organizations throughout New Hampshire.

We are committed to providing high quality audit services to local municipalities and governmental agencies in New Hampshire. We are considered a leader in the governmental auditing area because of our unmatched level of expertise and years of experience in governmental auditing services. Our professional staff members recognize and understand the needs of local officials and the issues facing management of governmental entities.

The office of Plodzik & Sanderson, P.A. is located at 193 North Main Street, Concord, New Hampshire from where the Town's audit will be conducted.

Licensure

Plodzik & Sanderson, P.A. is in compliance with the State of New Hampshire licensing standards for accountants in public practice as outlined in NH RSA Chapter 309-A. All licensed accountants meet these requirements.

Professionals Assigned to Audit

Plodzik & Sanderson, P.A. maintains a dedicated staff of governmental accountants and auditors as well as a commercial staff that provides accounting and audit support to the governmental division throughout the year. An overview of our Firm is as follows:

	<u>Governmental</u>	<u>Commercial</u>	<u>Total</u>
Directors	2	1	3
Senior Manager	1	1	2
Managers	4	2	6
Senior Auditors	2	0	2
Other Professional Staff	8	1	9
	<u>17</u>	<u>5</u>	<u>22</u>

Staff that would be assigned to an engagement are trained and experienced in the procedures required and are continually supervised.





Proposal for Auditing Services

We anticipate that the following individuals will comprise the audit team:

Michael J. Campo, CPA, MACCY – Director In-Charge



Biography

Michael J. Campo has been a governmental auditor with Plodzik & Sanderson, P.A. since 2004, and was promoted to Senior Auditor in 2008, to Senior Manager in 2013, and became a Director in 2016. During this time, he has performed audits of the financial statements of towns, cities, school districts, school administrative units, village districts, water precincts, federal grant programs, and special governmental entities.

Qualifications

Over 16 years of experience auditing local governments in New Hampshire and experience in Maine

Over 95 percent of billable time relates to governmental clients

Professional Memberships/Involvement

New Hampshire Government Finance Officers Association

New Hampshire Association of School Business Officials

New Hampshire Society of Certified Public Accountants (NHSCPA)

Member of the American Institute of Certified Public Accountants (AICPA)

AICPA Emerging Partners Program

Small Business Administration Emerging Leaders Program

Greater Concord Chamber of Commerce

Education

Graduated from Plymouth State University,
B.S. Degree in Accounting and a minor in Economics

Graduated from Rutgers University,
Master's degree in Governmental Accountancy

Continuing professional education as required by AICPA and GAO





Proposal for Auditing Services

Sheryl A. Pratt, CPA – Director (Engagement Quality Control Review)



Biography

Sheryl A. Pratt has been a governmental auditor with Plodzik & Sanderson, P.A. since 1991, and has been a Director and Officer of the Firm since 2005. During that time, she has performed audits of the financial statements of towns, cities, school districts, school administrative units, village districts, water precincts, federal grant programs, and special governmental entities.

She has been a presenter for many organizations, including Tri-State ASBO, NH ASBO, and the NHGFOA, on various topics related to governmental accounting. Sheryl has assisted the NH Tax Collector's Association with the preparation of training materials and has worked with the NH Government Finance Officers Association training committee.

Qualifications

Certified Public Accountant in the States of New Hampshire and Vermont

Over 29 years of experience auditing local governments in New Hampshire and experience in Maine and Vermont

Over 95 percent of billable time relates to governmental clients

Professional Memberships/Involvement

New Hampshire Government Finance Officers Association

New Hampshire Association of School Business Officials

American Institute of Certified Public Accountants (AICPA)

New Hampshire Society of Certified Public Accountants (NHSCPA)

Education

Graduated from Plymouth State College with a B.S. Degree in Business Administration and a minor in Psychology

Graduated from New Hampshire College with a B.S. Degree in Accounting

Continuing professional education as required by AICPA and GAO





Proposal for Auditing Services

Brian P. McDermott, CPA – Senior Auditor



Biography

Brian P. McDermott joined Plodzik & Sanderson, P.A. in July 2020 as a Senior Auditor, after 12 years' experience with a Nashua based firm which provides local government accounting and audit services. He is a Certified Public Accountant licensed in Massachusetts and New Hampshire. Brian has experience working on governmental financial statement audits, Uniform Guidance single audits, forensic audits and other special projects. His experience has focused on audit services for numerous municipalities.

Qualifications

Over 12 years of experience auditing local governments in New Hampshire and Massachusetts

Over 90 percent of billable time relates to governmental clients

Professional Memberships/Involvement

New Hampshire Government Finance Officers Association

Massachusetts Society of Certified Public Accountants (MSCPA)

New Hampshire Society of Certified Public Accountants (NHSCPA)

Member of the American Institute of Certified Public Accountants (AICPA)

Association of Certified Fraud Examiners

Education

Graduated from Saint Michael's College,
B.S. Degree in Accounting

Continuing professional education as required by AICPA and GAO





Proposal for Auditing Services

Justin Larsh, CPA – Auditor

Biography

Justin M. Larsh has been a governmental auditor with Plodzik & Sanderson, P.A. since 2018. During this time, he has performed audits of the financial statements of towns, cities, school districts, school administrative units, village districts, and special governmental entities. He is a Certified Public Accountant licensed in New Hampshire. Justin also has experience working on Uniform Guidance single audits, forensic audits and other special projects. His experience has focused on audit services for numerous municipalities.

Qualifications

2 ½ years of experience auditing local governments in New Hampshire

100 percent of billable time relates to governmental clients

Education

Bachelor of Science in Accounting from Plymouth State University

Continuing professional education as required by AICPA and GAO





Proposal for Auditing Services

Sherry D. Bradstreet – Federal Grants Compliance Manager



Biography

Sherry D. Bradstreet has been a governmental auditor with Plodzick & Sanderson, P.A. since 2006, and has been the Federal Grants Compliance Manager with the Firm since 2015. During this time she has performed audits of the financial statements of towns, cities, school districts, school administrative units, village districts, water precincts, federal grants programs, and special governmental entities. She specializes in Federal compliance audits in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Qualifications

Over 13 years of experience auditing local governments in New Hampshire

Over 95 percent of billable time relates to governmental clients

Education

Graduated from Champlain College with an Associate Degree in accounting

Graduated summa cum laude from Southern New Hampshire University with a Bachelor of Science degree in accounting

AICPA Advanced Single Audit Certificate

Continuing professional education as required by AICPA and GAO





Proposal for Auditing Services

Additional Staff

Our pool of additional governmental accounting staff who are available to assist on the engagement are listed below:

Scott Eagen, CPA, CFE, Senior Manager – 13th year auditing local governments in New Hampshire, with experience in Maine and Vermont in addition Scott has performed numerous forensic engagements for local governments

Ashley Klem, CPA, Manager – 12th year auditing local governments in New Hampshire, with experience in Maine and Vermont

Tyler Paine, CPA, Manager – 12th year auditing local governments in New Hampshire, with experience in Maine and Vermont

Kyle Gingras, CPA, Manager - 12th year auditing local governments in New Hampshire, with experience in Maine and Vermont

Ryan Gibbons, CPA, CFE, Senior Auditor – 3rd year auditing local governments in New Hampshire

Victoria Cameron, Staff Auditor – 5th year auditing local governments in New Hampshire with experience in Maine and Massachusetts

Julian Omeally, Staff Auditor - 3rd year auditing local governments in New Hampshire with experience auditing local governments in Massachusetts

Rebecca Weldon, Staff Auditor – 3rd year auditing local governments in New Hampshire

Carol Kenneson, Staff Auditor – 10th year auditing local governments in New Hampshire

Zachary Hofland, Staff Auditor – 2nd year auditing local governments in New Hampshire

Alexander Gamache – 1st year auditing local governments in New Hampshire

Ethan Blevins – 1st year auditing local governments in New Hampshire

The engagement plan will utilize up to 1-3 of the above staff members to assist with the audit, with the intention of rotating members of the team to ensure independence.

Firm's Policy on Notification of Changes in Key Personnel

While the intent of the firm is to reassign the same staff to return engagements each year, this may not be possible for unforeseen reasons at the time this proposal is prepared. However, we will notify the Town Administrator in writing of any changes in personnel, either supervisory, or staff level and would allow the Town the right to approve or reject replacements.

Use of Sub-Contractors

Plodzick & Sanderson does not utilize sub-contractors.





Proposal for Auditing Services

Independence

Plodzick & Sanderson, P.A. has internal operating procedures to insure its independence from current and potential clients. We accomplish this through continuous monitoring, and by requiring written documentation from each member of our staff annually. Our Firm shall give the Town written notice of any relevant professional relationships entered into during the period of this agreement.

Plodzick & Sanderson, P.A. is independent of the Town as defined by auditing standards generally accepted in the United States.

Ethics in Public Contracting

Plodzick & Sanderson, P.A. certifies that our proposals are made without collusion or fraud and that we have not offered or received any kickbacks or inducements from any other auditor, supplier, manufacturer, or subcontractor in connection with our proposals, and that we have not conferred on any Town employee having official responsibility for this procurement transaction, any payment, loan, subscription, advance, deposit of money, services, or anything more.

Debarment Status

Plodzick & Sanderson, P.A. certifies that we are not, or have ever been, debarred from submitting bids or proposals on contracts by any agency of the State of New Hampshire and the federal government, nor are we an agent of any person or entity that is currently debarred from submitting bids on contracts by any agency of the State of New Hampshire for the federal government.

Similar Engagements with Other Governmental Entities

We have long-term relationships with many towns in New Hampshire. Three of our town/school district clients, listed below, would be a good representation of audit clients. All have Director, Senior Manager, or Manager staffing for the fieldwork process.

1. Town of Boscawen

Ms. Katie Phelps
Finance Director
116 North Main Street
Boscawen, NH 03303
(603) 753-9188 Ext. 317

Type of Audits: Financial Audit

Year End: December 31, 2019

Director: Michael J. Campo

2. Town of Plainfield

Mr. Stephen Halleran
Town Administrator
110 Main Street
Plainfield, NH 03781
(603) 469-3201

Type of Audit: Financial Audit

Year End: December 31, 2019

Director: Michael J. Campo





Proposal for Auditing Services

3. Town of Candia

Ms. Donna Becker
Payroll & Accounting Specialist
74 High Street
Candia, NH 03034
(603) 483-8101 Ext. 201

Type of Audits: **Financial Audit**

Year End: **December 31, 2019**

Director: **Michael J. Campo**

In addition to the valued clients listed above, we work with many governmental clients. Our client retention history has been excellent and several of the governments have been clients for more than 30 years.

Quality Control Procedures

Plodzick & Sanderson, P.A.'s Quality Control System is designed to assure full and proper completion of audit objectives. This quality control system is fully documented and addresses the issues of independence, assigning personnel to engagements, consultation, supervision, hiring, professional development, advancement, acceptance and continuation of clients, and inspection to insure that the system is functioning properly. Plodzick & Sanderson, P.A. is a voluntary participant in the American Institute of Certified Public Accountants' Quality Review Program, which requires an outside review every three years and has received unqualified opinions each time (see Appendix I). In addition, we are members of the AICPA's Governmental Audit Quality Center which promotes the importance of quality governmental audits.

The following is a partial listing of our procedures. If you wish, we would be pleased to discuss our quality control system with you further.

- Personnel are assigned to engagements on the basis of experience and engagement manpower requirements.
- Our audit programs are comprehensive and designed to test for accounting and statutory compliance in an efficient manner. They are continually evaluated by directors and senior staff, and modifications are made as needed.
- We hold a pre-audit planning meeting including all members of the audit team for the purpose of minimizing the individual learning curves and discussing the optimum procedures, which will meet client needs.
- Upon completion of the entire audit to the satisfaction of the Manager, the Director-in-charge reviews the completed audit once again with the audit team to determine that the objectives have been met and that the conclusions have been clearly presented.
- We hold an exit conference with the client to detail the use of the audit reports, if requested.
- In addition to professional requirements for continuing education, our senior level staff, and directors meet periodically to discuss current accounting and related legal or regulatory issues facing clients.
- Formal workshops are held for our governmental auditors.
- We have a good rapport and reputation with State and Federal agencies with whom we communicate on a regular basis.





Proposal for Auditing Services

SERVICES TO BE PROVIDED

Scope of Services

Plodzick & Sanderson, P.A. agrees to meet or exceed the following performance specifications:

1. We shall perform a financial and compliance audit of all funds reported in the Town's financial statements. In addition, we will complete the Town's MS-535 Form and file it with the NH Department of Revenue Administration by May 1st.

The audit shall be conducted to satisfy the requirements of the State of New Hampshire Department of Revenue Administration and applicable State and Federal laws and regulations.

2. In connection with the examination of the records and financial statements, we shall review the system of internal control, operating procedures, and compliance with budgetary and legal requirements by the Town.

This review of internal control will include a review of the related processing controls with respect to data processing operations.

This review will also include but not be limited to the areas of physical security, system and program documentation, input/output controls, and controls over use and retention of electronic files.

3. We shall perform a financial and compliance audit in accordance with the Single Audit Act of 1996 and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, if applicable.
4. We view our engagements with the Town as ongoing professional relationships in which we will provide occasional advisory services, as needed, during the course of each year. As such, we will consult as required on auditing, accounting, financial reporting, and operating questions, which may arise during the course of each year. In addition, we will provide the Town with information on current developments, which would affect the Town's financial operations. This would include assisting the Town with identifying new accounting standards, as well as the implementation of these standards.
5. We agree to make available all working papers upon request, to meet any Town financial need, as well as in accordance with any Federal or State grant provision. Working papers will be kept for three years from the submission of the final audit report.
6. The Senior Auditor In-Charge will hold an entrance conference with Town officials to confirm or adjust the objectives, and to discuss our requirements and procedures with the Town's staff so that it can cooperate comfortably.
7. The Director In-Charge of the audit will be available to attend public meetings at which the audit report may be discussed. The Director and/or Senior Auditor In-Charge of the audit will also be available to discuss the audit report or other reports required by the request for proposal with the Town's financial staff as required.





Proposal for Auditing Services

Audit Work Plan

Our audit plan for each of the fiscal years involves six (6) stages for each audit. These stages are:

- Stage 1** Planning
- Stage 2** Risk Assessment
- Stage 3** Preparation of the Overall Audit Plan
- Stage 4** Conducting the Interim Audit
- Stage 5** Conducting the Final Audit
- Stage 6** Reporting

Stage 1 Planning

Plodzic & Sanderson, P.A. will meet with key staff to plan the audit services for the year. These meetings will discuss all audit issues and the proposed interim work plan. During this phase, we will accomplish:

- Identifying the key personnel and contacts in the accounting and other departments.
- Identify the Town's significant classes of transactions and operating processes.
- Obtain an understanding of the risk areas.
- Developing an understanding of unusual transactions or events that have occurred during the fiscal year.
- Finalizing the timeframes for interim fieldwork.

Stage 2 Risk Assessment

Based upon the information obtained in the planning meetings Plodzic & Sanderson, P.A. will perform a risk assessment as required by Statements on Auditing Standards (SAS) to be used in the preparation of the overall audit plan. As part of this risk assessment we will perform the following:

1. Obtain an understanding of the entity, its environment, and its risks.
2. Obtain an understanding of the entity's internal controls.
3. Preliminary analytical review, determination of preliminary materiality levels.
4. Analysis of known misstatements, if any.
5. Consideration of risk of material misstatement at the individual account balance, class of transactions, and disclosure level.
6. Assessing the risks of material misstatement at both the financial statement and relevant assertion levels.





Proposal for Auditing Services

Stage 3 Preparation of the Overall Audit Plan

Once the planning and risk assessment processes are complete, the overall audit plan will be prepared. The plan will specify each audit task, staffing assignments, and timelines. The audit plan will include the transaction cycles which have been selected for internal control testing and of those for which only the detailed walk through will be performed.

Once the audit plan has been completed, the prepared by client (PBC) requirements and the responsibilities of the auditor document will be prepared. The document listing will be detailed by specific task and will include the due dates and names of the persons responsible for each task.

We will also prepare the preliminary materiality guidelines, the audit programs, including consideration of:

- Identification of areas where special audit considerations are necessary.
- Design of further audit procedures to reduce risk, if considered necessary.
- The development of expectations for analytical procedures, timelines, and assignment of all audit responsibilities.

Once these tasks have been completed we will contact the Town to ensure that all dates and requirements have been met and to schedule the interim and final work with the various departments and agencies of the Town.

Stage 4 The Interim Audit

Our interim fieldwork dates will be completed by the end of February of each year. The specific date(s) will be determined during the planning meeting and preparation of the audit plan process. Our interim work will include the following:

We will obtain an understanding of the Town's internal control structure starting with:

1. Defining the Town's objectives and strategies and related business risks.
2. Update our understanding of the Town's internal control environment (tone at the top):
 - Communication and enforcement of integrity and ethical values
 - Commitment to competence
 - Participation of those charged with governance
 - Management's philosophy and operation style
 - Organizational structure
 - Assignment of authority and responsibility
 - Human resource policies and practices
3. The Town's risk assessment process.
2. Internal control communication process.
4. Internal control monitoring process.
5. Any industry, regulatory or other factors.





Proposal for Auditing Services

This understanding will be accomplished through the use of:

1. Inquiry of management and others within the Town.
2. Observation and inspection.
3. Review of external information sources.

We will also obtain an understanding of the design and implementation of the financial reporting system to understand the following information for:

1. Each class of transactions that is significant to the financial statements.
2. The procedures within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, and reported in the financial statements.
3. The related accounting records, whether in electronic or manual supporting information, and specific accounts in the financial statements involved in initiating, authorizing, recording, processing, and reporting transactions.
4. How the information systems capture events and conditions other than classes of transactions that are significant to the financial statements.
5. The financial reporting process used to prepare the Town's financial statements, including significant accounting estimates and disclosures.

Our focus will also involve:

- Understanding and documenting the financial reporting process.
- Documenting information systems and related computerized data processing controls.
- Identifying the flow of information and internal control involved in various key processes including, investment management, procurement, disbursements, payroll, treasury operations, and cash receipts. To accomplish these tasks, we will use inquiry, observation, checklists, and internal control questionnaires. During the interim timeframe, each of the significant internal control systems will be evaluated to obtain sufficient knowledge of the design and implementation of key controls and to determine if a test of controls will result in audit efficiencies.
- Planning for the Single Audit, if necessary, will include the distribution of questionnaires, conducting inquiries, reviewing documentation and determining major programs. In addition, in order to assist the Town in achieving its Single Audit reporting timeline, we will begin conducting fieldwork for those federal programs identified as major as a result of our preliminary risk assessment.
- Identifying laws and regulations that are applicable to the Town. To accomplish these tasks, we will use client documents, inquiry, observation, checklists, and internal control questionnaires.
- Formulating audit procedures and related audit programs that will be used during the final segment of the audit process.





Proposal for Auditing Services

- Testing the effectiveness of internal controls will be accomplished for the significant internal controls systems for which we plan to place reliance. To gain efficiencies our control testing will be structured so that it can be used for each of the audits we will perform.
- Other areas to be completed at the interim audit include SAS No. 99 interviews and documentation.
- Discuss workable solutions for potential findings that have been identified and communicated to the Town during the audit process.

Stage 5 The Final Audit

We will commence our final fieldwork as soon as the Town has sufficiently closed their accounting records. During this phase, we will perform substantive audit procedures on the year-end fund balances, revenue, and expenditure accounts. We will use a variety of audit procedures which may include outside confirmations, statistical sampling, and detailed testing of schedules, analytical review, inquiry, and observation. At the conclusion of the final audit, the engagement team leader will review trial balances and journal entries with management, this provides management the opportunity to gain a firm understanding of the final audited financials.

Stage 6 The Reporting Phase

At the end of the audit process we will meet with key staff to cover the following:

- Discuss improvements for subsequent years' audit plan, and
- Meet with the Board of Selectmen and Town Administrator to present the results of the audit.

We do not believe in surprises. Although the reporting phase involves a recap of the process we will be in constant communication regarding each aspect of the audit throughout the entire process. You will not have any surprises at the end of the audit.

Plan for the Audit of the Town Basic Financial Statements

As noted above, the six-phase audit process will be used for conducting the audit of the Town's basic financial statements.

Meetings will be scheduled with the key contacts in each department, to allow for questions from the departments, provide for a summary of the overall audit process, and cover key dates to ensure all Town's timelines are met. Discussions will also include key audit areas, risks, and any other known issues relating to the audit.

As noted in the audit plan we will obtain documentation of the understanding of the Town and its environment, including the internal controls. Testing will be accomplished for the internal control systems and key processes include, but are not limited to:

- The revenue collection cycle
- Investment management





Proposal for Auditing Services

- Financial reporting
 - Year-end closing
- Budgeting
- Risk management
- Human Resource, payment of employees
- IT Controls, relating to all aspects of the audit
 - User access
 - Security
 - Backup and recovery
 - System interfaces
- Fraud Prevention
- Others that will be identified during our audits

Other items that will be considered include:

- Testing of the Town's key internal control system
- Analysis of the Town's fraud prevention program
- And proactive discussions regarding upcoming professional pronouncements and standards

We will meet with the Town as a final wrap up to cover any outstanding items and prepare the appropriate presentations.

Sample Sizes and use of Statistical Sampling Techniques

Sample sizes will differ depending upon the area under audit. Generally, a sample size of 40-60 will be used for areas where we plan on placing reliance on the internal control structure.

Extent of use of EDP in Engagement

EDP software will be used in the analysis of the Town transaction activity, including, but not limited to disbursements, payroll, utility billings, capital asset depreciation, etc. In addition, audit software will be utilized for work paper storage.

Type and Extent of Analytical Procedures to be Used in Engagement

Analytical procedures are an important part of the audit process. Analytical procedures will be used in several areas including but not limited to audit planning, testing of year-end balances such as revenue analysis, expenditure analysis, etc.





Proposal for Auditing Services

Approach to be Taken in Determining Laws and Regulations that will be Subject to Test Work

Based upon our inquiry with Town staff, review of the Town's administrative policies, etc., we will determine the relevant laws and regulations that will be subject to additional test work. We will review the laws and regulations covering the Town's grants and major programs as part of the Single Audit testing, if necessary.

Approach to be Taken to Gain and Document an Understanding of the Town's Internal Control

Our approach to gain an understanding of the Town's internal control structure will be obtained by reviewing the Town's policy and procedures, review of the Town's administrative policies and procedures, and based upon our inquiry with Town staff. In addition, we will use governmental internal control questionnaires to assist in our documentation of the internal control structure. Further we will conduct a walk-through and observe the work flow as it relates to key processes including but not limited to: payroll, budgeting, financial management and investments, revenue management and cash receipts, procurement and disbursements, information technology, and risk management.

Meetings

Plodzic and Sanderson, P.A. shall conduct regular progress report meetings with the Town Administrator or his designee on the conduct of the work required under this contract as deemed appropriate. Either the Town Administrator or Plodzic & Sanderson, P.A. may request a meeting at any time during the term of this contract.

Nature of Town's Assistance to Auditor During Audit

Plodzic & Sanderson, P.A. understands that the Town's staff agrees to render all feasible assistance to the audit firm and shall respond promptly to requests for information, provide all necessary books and records, and provide physical facilities required by the Firm for the expeditious conduct of the engagement. We anticipate 2-6 hours of time to gather and pull information as required but may fluctuate depending on the needs of the audit.

Additional services may be required in order to obtain sufficient audit evidence on which to base our opinion, and, which are normally the responsibility of your accounting staff, such as bookkeeping, and bank reconciliations.

As required by Generally Accepted Accounting Services for non-attest services, these services and others such as non-audit related consultations, and preparation of non-audit forms or filings will be covered under separate agreement after consultation with you.

For these services, you agree to assume management responsibility, oversee these services by designating an individual who possesses suitable skill, knowledge, or experience, to evaluate the adequacy and results of those services, and accept responsibility for the results of those services.





Proposal for Auditing Services

We will request that you provide us with the basic information required for our audits, and you are responsible for the accuracy and completeness of that information. This responsibility includes the maintenance of adequate records and related internal control structure policies and procedures, the selection and application of accounting principles and the safeguarding of assets. We will provide you with a listing of documents required for audit in advance of our fieldwork. We will advise you about appropriate accounting and reporting principles and their application, but the responsibility for the financial statements remains with you.

The Single Audit (if necessary)

We will obtain an understanding of the Town's procedures for completing the Schedule of Expenditures of Federal Awards (SEFA). We will then tie out expenditure amounts to the audited trial balances as well as trace Federal award information (for example CFDA number, project number, project name, etc.) to the applicable grant and/or loan agreements to determine that the information is accurate. We will perform the determination in order to determine the major programs required for audit based on Uniform Guidance.

A risk assessment will be performed over each major program to determine what compliance requirements are direct and material and will be tested. Testing will be performed over internal controls as well as compliance requirements and will be based on the suggested audit procedures as outlined in the OMB Compliance Supplement.

Any findings as a result of testing will be provided to management and gone over in detail to assist in determining how corrective action can be taken. For material findings that will be placed in the audit report a Corrective Action Plan prepared by management is required.

After the audit report has been finalized and issued, the Data Collection Form will be prepared requiring Director In-Charge and management approval.

Other Services

In addition to audit services, we are also available throughout the year for follow-up assistance or consultation, if requested. Such services will be billed at our regular per diem rates, which range from \$60 to \$150 per hour depending upon the level of expertise required. Phone call service is usually provided at no extra charge, we encourage our clients to communicate with their audit team throughout the year.

You may request that we perform additional services not addressed in this proposal. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this proposal.





Proposal for Auditing Services

Tentative Schedule (Specific dates for first year, with a similar agreed upon timeframe for each subsequent year.)

Interim Audit/ Planning Phases

February

Preliminary audit work will take place in February. Preliminary work is an integral part of the planning phase. Audit planning involves the gathering of information about the accounting system and controls therein and assessing risks, in order to determine the level of reliance that will be placed on the system and the extent to which the audit will involve substantive testing procedures, and the areas to be tested. This phase would involve the Town personnel to the extent needed to gather information to gain an understanding of the system, and the timing of these procedures would be flexible to the extent that it would be coordinated in such a way as to be convenient for the Town personnel. After preliminary audit work is completed, much of the initial planning phase can be completed from our office in order to minimize the disruption of normal operations. Prior to the commencement of fieldwork, we would hold a preplanning conference with the Town Administrator and provide the Town with a packet of preliminary information, including a listing of documents required for audit.

Final Audit

Performed in early March

Fieldwork will start in early March (or a mutually agreeable date) and will run three to four days. At the completion of fieldwork all trial balances and journal entries will be reviewed with the Town Administrator allowing for management to gain a further understanding of the audit and its results. Copies of trial balances and journal entries will be left with management so that entries can be posted to the Town general ledger. We will also review any potential findings at this time with management providing management the ability to gain a full understanding of the concerns identified during the audit.

Based on our experience with the Town, we are able to adjust our schedule and staffing needs based on the completion and availability of financial records ready for audit. The first day will encompass finalizing the preliminary planning procedures. The fieldwork will include analyzing and testing financial records and compliance with laws and requirements.

We will arrange to gather all information from you and work initially from our office in order to reduce interference to your normal operations.





Proposal for Auditing Services

MS-535

Submitted by May 1st

The engagement team's intention is to have prepared, reviewed with management, and submitted the MS-535 to the Department of Revenue by May 1st annually.

Reporting

Report preparation and draft report issued by June 30th

This phase of the audit involves the summation and analysis of audit information and findings and the formation of our opinion completion of the financial report. The Town Administrator will receive a draft copy of the audit including a draft of our Independent Auditor's Communication. Once the draft reports have been reviewed and approved, we will finalize and issue the audit report and send it to the Town no later than June 30th.

Proposed Segmentation of Engagement

Our approach to the audit of the audits can be demonstrated by the level of staff assigned to each segment of the audit as well as our segmentation of the audit into the major steps to be performed.

Date/Segment	Hours			Total
	Director	Senior Auditor	Staff	
Planning and preliminary fieldwork	-	8	16	24
Fieldwork; review and furnish audit adjusting journal entries and audited trial balances for all funds	8	32	60	100
Report and management letter preparation, exit conference, draft and final report preparation and delivery	8	16	-	24
Presentation at Board of Selectmen meeting	1	1	-	2
Total Hours	17	57	76	150





Proposal for Auditing Services

FEE STRUCTURE

Estimates

The estimated fee for audit services for the Town of Barrington, with the exception of a Federal Audit, if required, and including all direct and indirect costs:

Financial Statement Audit:

December 31, 2020	\$ 14,725
December 31, 2021	\$ 14,725
December 31, 2022	\$ 14,725
December 31, 2023	\$ 14,725
December 31, 2024	\$ 14,725
December 31, 2025	\$ 14,725

The estimated fee for Federal Compliance Audit (Single Audit), if required:

Single Audit, if needed:

December 31, 2020	\$ 2,000
December 31, 2021	\$ 2,000
December 31, 2022	\$ 2,000
December 31, 2023	\$ 2,000
December 31, 2024	\$ 2,000
December 31, 2025	\$ 2,000

Our hour rates are as follows:

Directors	\$150/hr
Senior Manager	\$105/hr
Managers	\$90-95/hr
Senior Auditors	
Staff Auditors	\$60-85/hr

Please note: Plodzick & Sanderson does not charge for out-of-pocket expenses (e.g. travel, lodging, and subsistence). All direct and indirect costs are reflected in the fees above (e.g. bank confirmations).

Manner of Payment

Progress billings will be issued during the course of the engagement and shall not cover less than a calendar month. These billings will not exceed the total cost of the engagement. The final payment will not be due until after all reports have been delivered to and accepted by the Town.





Proposal for Auditing Services

ADDITIONAL INFORMATION

Insurance Requirements

Plodzick & Sanderson, P.A. carries the following coverage:

Professional Liability Coverage - Plodzick & Sanderson, P.A. carries professional liability insurance in the amount of \$1,000,000.

Statutory Liability Coverage - Plodzick & Sanderson, P.A. maintains both workers' compensation and employer's liability insurance.

Motor Vehicle Coverage - Plodzick & Sanderson, P.A. carries motor vehicle insurance to include bodily injury, property damage, and uninsured motorist, coverage in the amount of \$1,000,000 combined single limit per accident.

Regulatory Action

Since its establishment in 1975, the firm has had no disciplinary action taken upon it by the State Board of Accountancy, American Institute of CPAs, New Hampshire Society of CPAs, or any regulatory agency. Of the 184 municipal audits that the Firm performs annually, many are Single Audits which are filed with the Federal Clearinghouse and with various State oversight agencies. None of our audits have ever been found to be deficient.

Identification of Anticipated Potential Audit Problems or Exceptions

We do not anticipate any potential audit problems or exceptions, and if any do arise, they will be addressed immediately and discussed with management and/or the Board of Selectmen, as necessary, in order to arrive at a resolution of the matter.

Equal Employment Opportunity and Affirmative Action Policy

It is the Firm's policy to grant equal employment opportunities to all qualified persons without regard to age, race, color, religion, sex, marital status, national origin, or disabilities. The Firm subscribes fully to the Employment Opportunity Commission's guidelines and is committed as a matter of strong policy to enforcing these directives. In Plodzick & Sanderson, P.A.'s history, we have not had one reported incident of harassment or discrimination.

Based on the Firm's quality control policies, personnel are assigned to engagements on the basis of experience and expertise needed to complete the engagement efficiently, given the complexity of the situation.



APPENDIX I

215 Pleasant St. Fl. 4 – PO Box 3634
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Report on the Firm's System of Quality Control

To Plodzic & Sanderson, PA and the
Peer Review Committee of the Massachusetts Society of CPAs:

We have reviewed the system of quality control for the accounting and auditing practice of Plodzic & Sanderson, PA (the Firm) in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The Firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act. As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Plodzic & Sanderson, PA in effect for the year ended May 31, 2019 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Plodzic & Sanderson, PA, has received a peer review rating of *pass*.

JMR & Company, LLC

October 18, 2019

Where Your Financial Success Begins

Member: American Institute of Certified Public Accountants - Division for Firms
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