

# Request for Proposals (RFP) for Internal Auditor Services Integrated with an Audit of Financial Statements

## Overview

The Town of Prospect invites proposals from qualified individuals and accounting firms, hereinafter referred to as "Auditor," to perform an internal audit over financial reporting with an integration of an audit of financial statements for the Fiscal Years ending 2014-2019.

## 1. Purpose

The Town requests proposals from qualified individuals and accounting firms interested in providing an audit of internal controls and functions for the Town of Prospect integrated with an audit of financial statements for the following fiscal years:

- July 1, 2013 – June 30, 2014
- July 1, 2014 – June 30, 2015
- July 1, 2015 – June 30, 2016
- July 1, 2016 – June 30, 2017
- July 1, 2017 - June 30, 2018
- July 1, 2018 - June 30, 2019

The internal audit function will be performed to ensure that the operating procedures including all internal controls are being followed and that all expenditures of town funds are in accordance with laws, regulations, and town policy.

Internal auditing for controls, functions, policies and procedures shall be completed by the firm or qualified individual for the July 1, 2019 – June 30, 2020 fiscal year. The financial statement for the 2019-2020 has not been completed and therefore cannot be integrated as part of this RFP at this time.

**Additionally, if the July 1, 2019 - June 30, 2020 financial statement is completed prior to the conclusion of the special audit according to the specifications of this RFP, the auditor may be requested to audit the financial statement. Approval will be required before any additional costs can be incurred outside the scope of the original bid submission.**

## **Proposal Submission**

Proposals must be clearly labeled "RFP for Internal Auditor Services Integrated with an Audit of Financial Statements" and all electronic and hard copies must be submitted to Robert J. Chatfield, Mayor, Town of Prospect, 36 Center Street, Prospect, CT 06712, **on or before 4:00 p.m. on**

**Tuesday August 25<sup>th</sup>, 2020.** There is no expressed or implied obligation for the town to reimburse responding individuals or firms for any expenses incurred in preparing quotations, attending pre-quotation conferences, or interview(s) in responding to this request. Proposals submitted after the stated time and date will not be considered and will be returned to the firm unopened.

## **2. Scope of the Audit**

The special-purpose audit should be conducted in accordance with the following guidance, as applicable: the Statement on Auditing Standards (SAS) 54, Consideration of Fraud in a Financial Statement Audit; Audit of Internal Control over Financial Reporting that is integrated with an audit of financial statements (SAS 130). This audit will evaluate the adequacy of the internal financial controls with emphasis on areas vulnerable to fraud and abuse; the adequacy of the town's current financial policies and procedures; and the adequacy of the town financial and auditing organizational structure. The auditor will make use of and build upon the internal control evaluation work done by the town's independent CPA firm during that firm's annual financial statement audit. The objectives of this engagement are:

- Development of a risk assessment of the Town's financial operations, including, but not limited to; review of financial policies procedures and practices;
- An annual review and update of the risk assessment;
- Annual testing and evaluation of one or more areas of the Town's internal controls, taking into account risk, control weaknesses, size, and complexity of operations;
- Preparation of reports which analyze significant risk assessment findings, recommend changes for strengthening internal controls and reducing identified risks, and specify time frames for implementation of such recommendations.

Areas that may be addressed include but are not necessarily limited to:

- Certification of Payroll
  - Review of Bank Reconciliation and Treasurer's Report
  - Payroll Observations
  - Review Check Signing Log
  - Fixed Asset Sampling
  - Perform Testing and Validation functions
1. Make an independent selection of key controls for testing to assure that controls are appropriate and are effective when applied.
  2. Test the design and operating effectiveness of these internal controls to detect deficiencies.

- Perform audit procedures designed to identify unusual and/or questionable transactions.
- Monitor the internal controls of the town.
  1. Review any recommendations regarding the internal controls with Mayor, Treasurer and Town Council.
  2. Based upon the findings, assist the town in the design and implementation of recommended procedures to ensure the operating effectiveness of the internal control environment.

An individual or firm can schedule an appointment prior to submission of any proposal to meet with Robert Chatfield, Mayor or Jeffrey Slapikas, Council Chairman, to review the scope of services provided to the town. Please contact the Prospect Town Hall at 203-758-4461 between the hours of 8:00 a.m. and 3:00 p.m. to schedule an appointment.

All proposals must be submitted in two parts. Part I must consist of responses to the management and qualifications items. Part II must consist of complete contract cost and pricing information. Incomplete submissions will not be considered for award. Proposals should not be excessively long and should be submitted in a format that permits copying for review. Please provide eleven (11) paper copies of each proposal, one copy titled "ORIGINAL" and the remainder titled "COPY," and one copy in electronic format addressed to [info@townofprospect.org](mailto:info@townofprospect.org) as well as [towncouncil@townofprospect.org](mailto:towncouncil@townofprospect.org). Each page of the proposal must state the firm submitting the proposal, the fact that the RFP is being submitted to the town, and the page number. All materials submitted in response to this request for quotations shall become the property of the town.

### **PART I – Management and Qualifications**

In setting forth its qualifications, each individual or firm submitting a proposal shall:

- A. Include an affirmative statement indicating that the firm and all key professional staff are properly qualified to practice in the State of Connecticut.
- B. The proposer 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.
- C. Describe the individual's or firm's experience and expertise focusing on internal controls.
- D. State the name(s) of the officer(s) and associate(s) in the firm.

- E. Identify the nature of any potential conflict of interest the individual or firm might have in providing these services to the town.
- F. Provide a comprehensive description of your approach to fulfilling the requirements of the RFP. For example, describe forensic auditing techniques, data analysis techniques, use of Information Technology (IT) specialists to perform IT assessments and other auditing procedures, the type and extent of sampling to be employed, etc.
- G. Provide a copy of the individual's or firm's latest peer review.
- H. Provide any other information that might be beneficial to the town.
- I. Provide a detailed schedule for completing the audit.

**Part II – Cost**

State the rates at which the services of all partners, managers, senior accountants, staff accountants, or other personnel that would be provided to the town. In addition, state which partners and/or staff are expected to perform the services. Please include:

- A. For each partner, manager, or staff whose resume is provided, the regular hourly rate and the hourly rate you are quoting.
- B. For each item in the "Scope of Audit," include the estimated number of hours for each employee type.
- C. The total cost for the engagement for a fiscal year, including travel and other incidental costs.
- D. Each proposal will clearly state the fees to be charged for each of the years ended:
  - June 30, 2014
  - June 30, 2015
  - June 30, 2016
  - June 30, 2017
  - June 30, 2018
  - June 30, 2019
- E. Each proposal will clearly state the basis on which special audit or management services will be billed.

### **3. Town of Prospect Background**

The Town operates under a Mayor/Town Meeting form of government. A Town Charter governs the operation of the Town. In addition, certain Town transactions are governed by the State of Connecticut General Statutes (CGS).

The Town of Prospect serves an area of 14.5 square miles with a population of approximately 9,548. The Town of Prospect's fiscal year begins on July 1st and ends on June 30th.

The Town of Prospect provides the following services to its citizens: Parks and Recreation, Animal Control, Street Lights, Road Repair, Snow Removal, Transfer Station, Recycling Services, Education and General Government Services.

More detailed information on the government and its finances can be found on the Town of Prospect's website at: [www.townofprospect.org](http://www.townofprospect.org).

### **4. Evaluation and Selection Process**

A. Opening of Proposals – At the designated time and date, the Mayor shall open and list the proposals for the record. Responses received after 4 P.M. on Tuesday August 25<sup>th</sup>, 2020, shall be returned unopened.

B. Evaluation – During the evaluation phase, proposals are reviewed to determine which proposals address all the requirements of the RFP, and to technically review the proposals. Proposals determined to be technically non-responsive or not as responsive as other proposals, are eliminated at this point. Interviews may be requested of any and all firms that submitted proposals. The Mayor and Town Council will be involved in the selection process. All accepted proposals will be discussed at a Town Council meeting for the public to attend.

### **5. Termination of Contract**

Any contract agreed to under this Request for Proposal is subject to termination by either party with thirty (30) days written notice. In the event of termination of the contract, the town's responsibility shall be to pay for unpaid services performed and authorized costs incurred by the Auditor.

### **6. Right to Reject Requests for Proposal**

No person shall be denied or subjected to discrimination on account of any services, or activities made possible by or resulting from this agreement on the grounds of sex, race, color, creed, national

origin, age (except minimum age and retirement provision), marital status or the presence of any sensory, mental or physical handicap. Any violation of this provision shall be considered a violation of a material provision of this agreement and shall be grounds for cancellation, termination or suspension in whole or in part of the agreement by the Town of Prospect and may result in ineligibility for further Town of Prospect contracts. The proposer shall at all times in the proposal and contract process comply with all applicable Town of Prospect, state, and federal anti-discrimination laws, rules, regulations and requirements thereof.

The Town of Prospect reserves the right to reject without prejudice any and all quotations received under this Request for Proposal.