CITY OF NORTHAMPTON

REQUEST FOR PROPOSALS

FOR

AUDITING SERVICES

The City of Northampton, Massachusetts invites qualified, independent public accountants, licensed to practice in the Commonwealth of Massachusetts, to submit proposals to conduct an audit of its financial accounts and records in accordance with the specifications listed below.

I. INFORMATION FURNISHED TO PROPOSER

A. GENERAL INFORMATION

1. Per the City's Charter, "*The city council shall annually provide for an outside audit of the books and accounts of the city to be conducted by a certified public accountant or firm of certified public accountants, which has no personal interest direct or indirect, in the fiscal affairs of the city or any of its officers. The mayor shall annually provide to the city council a sum of money sufficient to the estimated cost of conducting the audit as presented to the mayor, in writing, by the city council. The award of a contract audit shall be made by the city council on or before September 15 of each year. The clerk of the council shall coordinate the work of the individual or firm selected. The report of the audit shall be filed in final form with the city council not later than March 1 in the year following its award*".

2. The city government consists of the following elected positions: mayor, city council, city clerk, public school committee, and board of trustees for the Smith Vocational and Agricultural School.

   As chief executive officer, the Mayor appoints, subject to city council approval, all other principal executive officers of the city. The Mayor is responsible for the administration of the fiscal and other affairs of the city with the exception of local school affairs, which are administered by the School Committee.

   The City Council consists of nine members; seven ward councilors and two at-large councilors each serving a two year term. The city is divided into seven wards with a roughly equal number of voters in each ward. The city council is the legislative body for the city and is responsible for adopting the budget as prepared by the mayor and for adopting city ordinances.

The City provides general governmental services including police and fire protection, water and sewer services, including a water treatment facility, wastewater treatment facility, street maintenance, parks, recreational facilities and education for grades kindergarten though twelve. The current work force of the City is approximately 990 FTEs equivalent to approx. 1,100 employees.

The City provides for two school districts and education is the single largest spending category within the budget. Northampton Public Schools consist of four elementary level schools for grades kindergarten through grade 5; a middle school for grades 6 – 8 and a high school for grades 9 – 12. The city also has a funding commitment for Smith Vocational and Agricultural High School located within city limits. The financial and organizational structure of Smith Vocational presents unique challenges for the city. Like other vocational schools in the state, SVAHS provides educational services to surrounding communities; however, unlike other vocational schools, the monies paid to the school are derived from state Chapter 70 formulas and tuition from sending communities.

The Northampton Public School Committee members consists of two (2) at-large school committee members, seven (7) ward school committee members, and the Mayor who serves as the committee's chair. The School Committee has exclusive jurisdiction over the city's public school system and appoints a superintendent to administer the day-to-day affairs of the school system.

The Smith Vocational School is governed by a Board of Trustees consisting of three elected trustees, the mayor, and the city public school system superintendent.

Additional information regarding the City is also available on the City's website www.northamptonma.gov.

B. THE CITY'S BUDGET

1. The City's annual budget is $103,087,380 and is comprised of an $87,903,856 General Fund and Enterprise Funds for Water ($6,617,188), Sewer ($6,074,067), Solid Waste ($517,593) and Storm Water ($1,974,676).

2. The fiscal year 2014 audit was performed by Scanlon & Associates, LLC and the firm is under contract to complete the fiscal year 2015 audit. The opinion for FY 2014 is unmodified. The 2014 audit report and management letter are available on the city website at http://northamptonma.gov/739/Annual-Audits or by request to Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060.

3. The City maintains its general ledger in accordance with the Massachusetts Uniform Municipal Accounting System established by the Bureau of Accounts on a modified accrual basis. Most financial records of the City have been converted to an automated system (Munis). Cash, Accounts Receivable and Interdepartmental reconciliations will be made by the City at year-end.

C. NATURE OF SERVICES REQUIRED

1. The firm is to conduct an examination of the City's basic financial statements to ensure compliance with relevant state statutes and city ordinances. This examination is to be performed in accordance with generally accepted auditing standards applicable to financial audits contained in the most recent *Government Auditing Standards*, issued by the Comptroller General of the United States. These audits shall be provided annually for fiscal years ending June 30, 2016, 2017 and 2018.

2. In addition to the financial audit, the firm is to conduct an audit in accordance with the Single Audit Act of 1984 (P.L. 98-502), as codified in Chapter 75 of Title 31 of the United States Code and the regulations established to implement this law by the Director of the Office of Management and Budget OMB Circular A-133. This compliance audit shall be provided annually and will cover the fiscal year ending June 30, 2016, 2017 and 2018. The auditor shall be responsible for filing the Single Audit with the Federal Audit Clearinghouse.

3. The firm is to conduct an End of Year audit of the Northampton Public School District and Smith Vocational and Agricultural High Schools' financial records, to include using the Department of Elementary & Secondary Education Compliance Supplement.

4. The firm is to examine records and methods of record keeping of the City and Schools providing assurance of compliance with all federal funding and grant program requirements. These audits will include Title I and SPED Grants at Northampton Public Schools and Smith Vocational and Agricultural High School and the Community Development Block Grant Program for the City. Audits of the School Lunch program at each school district will be necessary in FY 2017 only as they are conducted every three years (last conducted in FY 2014).

5. In addition to the examination of internal controls, the firm shall also examine a minimum of four (4) and a maximum of six (6) separate departments of the City government chosen by the City per audit year, including a written evaluation of those systems and recommended improvements of the same.

6. In addition to completing the annual audit, the accounting firm shall be available during business hours by phone and e-mail, throughout the contract period, to provide the City with advice and guidance on routine financial accounting and reporting issues. The accounting firm is also expected to keep the City abreast of the working requirements of all new accounting and financial reporting pronouncements of the Government Accounting Standards Board, the United States Office of Management and Budgets and the Commonwealth of Massachusetts.

7. It is expected that a management level member of the auditing team participate in Bond rating calls with the city's Finance Director.

8. Prior to the commencement of the audit, the firm's schedule of information needed from each department is to be submitted to the Finance Director. In addition, the auditing team will hold an entrance conference with the Finance Committee and the Finance Director.

9. At the conclusion of each annual audit, a management level representative of the accounting firm will be expected to appear before the Mayor and City Council to discuss the findings resulting from the audit.

10. At the conclusion of the audit, all audit work papers are the property of the City and shall be retained for a period of at least seven years. Upon request, all work papers, preferably in electronic format, shall be provided without charge to authorized City personnel, and representatives of Federal or State Agencies in accordance with Federal Law, State Law and other regulations. Working papers will also be made available for examination, at charge, or duplication, at a reasonable charge, to subsequent auditors engaged by the City.

D. REPORT REQUIREMENTS

Prior to completion of the management letter, the firm shall meet with the Finance Committee and Finance Director to review the findings and recommendations in detail. Draft copies all reports and a management letter shall be reviewed and discussed at the meeting. Subsequently the accounting firm will be required to meet with the City Council to review the results of the audit.

The accounting firm will print, bind and submit as many copies of the aforementioned reports as is necessary to satisfy the City's reporting requirements to state and federal regulatory and oversight agencies plus 20 bound copies and 1 electronic version to the City.

Written reports that are required at the completion of the audit include:

1. An auditor's opinion as to whether the general purpose financial statements fairly represent the financial position of the City and the results of its financial operations in accordance with generally accepted accounting principles. In addition, the report must contain an auditor's opinion whether the supplemental statement of federal assistance presents fairly the actual grant data in relation to the general-purpose financial statements. The supplemental statement of federal assistance must show the total expenditures for each federal assistance program. All financial statements and notes presented in the audit shall be in conformity with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards and other applicable pronouncements.

2. An auditor's statement whether an internal control system exists to provide reasonable assurance that funds are managed in compliance with applicable laws and regulations. Further, the auditor's report must identify the City's significant internal accounting controls designed to provide for compliance. The auditor shall report the controls that were evaluated, and the material weaknesses identified, if any, as a result of the evaluation.

3. An auditor's statement on compliance with grant requirements. The statement shall include: a statement of positive assurance with respect to those items tested for compliance, including compliance with law and regulations pertaining to financial reports and claims for advances and reimbursements; a statement of negative assurance on those items not tested; a summary of all instances of noncompliance; and an identification of total amounts questioned, if any, for each federal assistance award, as a result of noncompliance.

4. A management letter, which shall identify any management weaknesses observed and the assessed effect on financial management. The management letter shall also summarize specific recommendations necessary to achieve compliance. The final copy of the management letter shall contain the City's printed responses for each finding.

5. An auditor's statement on compliance with school EOY report as required by the Massachusetts Department of Education compliance supplement.

E. TIMING

1. Qualified public accounting firms wishing to present the City of Northampton with a formal proposal for providing independent audit services for the next (3) fiscal years should forward (6) copies of their proposal to:

Pamela L. Powers

Administrative Assistant to the City Council
City of Northampton
210 Main Street, Room 16
Northampton, MA 01060

Not later than 12 noon (Eastern Standard Time) on Friday, August 21, 2015. All proposals must be in a sealed envelope and clearly marked, "City of Northampton Audit Services Proposal."

If you desire additional information please contact Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060 or by email @ ppowers@northamptonma.gov.

2. The audit contract award is scheduled on or about September 15, 2015 but is subject to change at the discretion of the City Council.

3. The anticipated date for which preliminary work may commence is May 15, 2016. No work is to commence prior to the full execution of the contract.

4. The draft reports will be reviewed with the Finance Committee and the Finance Director at an exit conference to be held no later than December 15.

5. The final annual audit reports will be completed by December 31 and a presentation of such reports will be made to the City Council at a mutually agreed upon time.

F. AWARD OF CONTRACT AND REJECTION OF PROPOSALS

1. Award will be based on a combination of price, experience and ability to complete the work in accordance with the schedule.

2. The firm must be willing to enter into the City's standard contract (attached) and include the signature page in the quote signed by an authorized signatory for the firm.

3. The City Council for the City of Northampton reserves the right to reject any or all proposals, waive minor informalities and to award the contract in the best interest of the City.

4. The City of Northampton reserves the right to accept a proposal which is not the lowest in price if the City Council deems it to be for the best interest of the City of Northampton.

5. The City of Northampton reserves the right to waive any informalities in the proposal process or in the proposals themselves.

6. The City of Northampton reserves the right to negotiate with any qualified vendor if the City Council deems it to be for the best interest of the City of Northampton.

7. The City of Northampton may reject any proposal which in its opinion is incomplete or contains conditions not called for, erasures not properly initialed or other irregularities.

G. CITY RESPONSIBILITIES

The City shall provide the auditors with reasonable workspace, desks, and chairs. The auditors will also be furnished access telephones, facsimile machines, and photocopying machines. Because of the limited office and conference room space, the City is unable to guarantee continuous use of any one room or a secure storage area for the auditor's equipment, papers, and other belongings.

The City's assistance to the accounting firm will be specifically limited to:

1. The City will provide worksheets and back-up documents required by the Department of Revenue for the certification of Free Cash.

2. Locating appropriate records (the pulling and filing of specific documents will be the responsibility of the accounting firm which will be required to re-file these documents in an orderly manner).

3. Meeting and conferences (by appointment, if necessary).

4. The City's fiscal year ends on June 30th. Preliminary financial and other records and reports will generally be available for audit by September 15th of the next fiscal year. Testing and review of internal controls may take place earlier at a mutually agreed upon time.

H. BILLINGS

Prices quoted shall include the cost of all labor, materials, insurance, and all other necessary expenses to fulfill the conditions of the contract. All travel costs to be incurred by the firm shall be paid by the firm. The City of Northampton will not pay for travel time or any travel related expenses.

Payments shall be made upon completion of services for each audit type.

I. OTHER PROPOSAL INFORMATION

1. If it becomes necessary to revise any part of this RFP, or otherwise provide additional information, an addendum will be issued by the City and furnished to all firms that have received copies of the original RFP.

2. All proposals become the property of the City and are subject to disclosure as required by Massachusetts General Laws.

3. The City is not liable for any cost incurred by the prospective firms in replying to this RFP.

4. Audit fees of prior years, the latest audit report, and management letter are available upon request.

II. INFORMATION REQUIRED FROM PROPOSER

In order to simplify the evaluation process and obtain the maximum degree of comparison, the City is requiring prospective firms to submit proposals in the format and manner prescribed in this section. Firms are cautioned that any deviation from this format may result in disqualification of their proposals.

A. TITLE PAGE

1. Project title.
2. Name of proposing firm.
3. Address and telephone number of proposing firm.
4. Name of contact person.
5. Date of submission.

B. LETTER OF TRANSMITTAL (Limit to one or two pages)

1. Briefly state the firm's understanding of the work to be done and make a positive commitment to perform the work within the required amount of time.

2. For Fiscal Years 2016 - 2018 summarize the fees for each year and state that the proposal is effective for one hundred twenty (120) days from the date of the opening of proposals.

3. The letter must be signed by the individual authorized to negotiate for and contractually bind the firm.

C. TABLE OF CONTENTS

Include clear identification of the submitted material by way of a Table of Contents that identifies contents by section and by page number. Such sections will be: "Professional Experience", "Proposer Approach to Audit", "Compensation", and "Additional Information". Content requirements are defined below.

D. PROFESSIONAL EXPERIENCE

1. Describe the local and/or regional office's audit experience with local governments (including the City of Northampton) in the last five years.

2. Identify the supervisors (e.g. partner, manager, auditor-in-charge) and the staff who are expected to work on the audit. Provide resumes (which may be included as appendices) showing relevant past experience, education, training, etc.

3. Describe the firm's participation, if any, in professionally sponsored quality control review of comparable programs.

4. List the names, contact information and service type provided to all Massachusetts municipalities during FY 2012, 2013 and 2014.

5. Provide two recent sample Management Letters the firm has written for its clients. Please omit the client's name and any other information which may be considered confidential in the submittal.

6. A "Certificate of Non-Collusion" and a "Certificate of Tax Compliance" is to be included with the proposal, as well as any other statutorily required documents.

E. PROPOSER'S APPROACH TO AUDIT

1. State the firm's understanding of the services to be performed and the work products to be provided as defined in Section I.C, "Nature of Services Required" and I.D, "Report Requirements" of this RFP.

2. Submit a work plan to accomplish the scope of services within the required time. The work plan should include time estimates by staff level for each of the significant segments of the work (planning, internal control, testing, and statements / reports) and the staff assigned to each segment. Include a brief discussion of the audit procedures to be used in the audit process for each segment.

F. COMPENSATION

Technical and price proposal content can be combined in one proposal as this service is M.G.L. 30B exempt. This fee shall include all costs for which the firm expects to bill the City, including clerical, indirect, or other costs.

The City requests the following format with regards to pricing:

Proposal for Auditing Services - City of Northampton, MA
FY16, FY17, FY18 Audits

All quotes to be lump sum
All prices to be level funded for three years

Audit Type	FY16	FY17	FY18	TOTAL
Basic Financial Statements - these should include:				
Basic Financial Statements, Management Letter and requirements to comply with Single Audit Act	$	$	$	$
Federal Audits:				
Smith Vocational and Agricultural High School - Title I	$	$	$	$
Smith Vocational and Agricultural High School - School Lunch		$		$
Smith Vocational and Agricultural High School - SPED Grants	$	$	$	$
Northampton Public Schools - Title I	$	$	$	$
Northampton Public Schools - School Lunch		$		$
Northampton Public Schools - SPED Grants	$	$	$	$
CDBG	$	$	$	$
School End of Year Reports:				
Northampton Public Schools	$	$	$	$
Smith Vocational and Agricultural High School	$	$	$	$
TOTAL:	$	$	$	$

The price proposal spreadsheet is available electronically; to receive a copy, send an e-mail to: ppowers@northamptonma.gov. Please, however, submit a completed paper copy with the firm's proposal.

G. ADDITIONAL INFORMATION

Provide any additional information, not specifically requested herein that firm considers necessary for effective evaluation of the proposal.

III. COMPARATIVE EVALUATION CRITERIA

The purpose of defining comparative evaluation criteria is to assist the evaluation committee in making decisions about the firm's overall qualifications, including technical abilities and previous experience. The City reserves the right to apply other qualifying criteria as defined elsewhere in this RFP, including completeness of the proposal package, and price.

The City of Northampton shall apply the following criteria in its evaluation of the

proposals presented for consideration.

1. Auditor Experience Level

   Highly advantageous- Firms who have more than 5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

   Advantageous- Firms who have 2-5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

   Not advantageous- Firms with fewer than 2 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

2. Audit Management Team Experience Level

   Highly advantageous- Firms whose Audit Manager/Partner assigned to audit has 20 or more years of experience auditing Massachusetts municipalities.

   Advantageous- Firms whose Audit Manager/Partner assigned to audit has 10 years but fewer than 20 years of experience auditing Massachusetts municipalities.

   Not advantageous- Firms whose Audit Manager/Partner assigned to audit has 5 years but fewer than 10 years of experience auditing Massachusetts municipalities.

3. Firm Municipal Audit Experience

   Highly advantageous-Firms who have completed 15 or more Massachusetts municipal audits each year for fiscal years 2011 through 2014.

   Advantageous-Firms who have completed 10 but fewer than 15 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

   Not Advantageous-Firms who have completed 5 but fewer than 10 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

4. Size of Municipalities Audited

   Highly advantageous- Firms who have experience auditing at least 5 Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

   Advantageous-Firms who have experience auditing at least 1 but fewer than 5 Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

   Not advantageous-Firms who have no experience auditing Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

Questions can be directed to: Pamela L. Powers @ (413) 587-1210 or ppowers@northamptonma.gov

Attachment A

City of Northampton
Evaluation of Proposals
Audit Services

General

Criteria	Yes	No
1. Proposal submitted by deadline		
2. Correct number of proposals submitted		
3. Audit proposal correctly marked		
4. Standard Contract Signature Page Submitted		
5. Certificate of Non-Collusion Submitted		
6. Certificate of Tax Compliance Submitted		
7. RFP submission format as prescribed in Section II		

Qualifications & Experience

Criteria	H A	A	N A
1. Auditor Experience Level			
2. Audit Management Team Experience Level			
3. Firm Municipal Audit Experience			
4. Size of Municipalities Audited			
5. Comprehensive Annual Financial Report Experience			

Approach to the Audit

Criteria	H A	A	N A
1. Firm's understanding of the work to be performed			
2. Supervision to be provided over personnel			
3. Reasonableness of time estimate to complete work activities			

Price

Criteria	Yes	No
1. Proposed Pricing schedule submitted in approved format		
Other Pricing Consideration:		

Evaluation of References

Legend:
H A-Highly Advantageous **A-Advantageous** **N A-Not Advantageous**

ATTACHMENT B

CITY OF NORTHAMPTON
REQUEST FOR PROPOSALS
FOR AUDITING SERVICES

Proposal Submission Forms

CERTIFICATE OF NON-COLLUSION

The undersigned certifies under the penalties of perjury that this bid or proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the work "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity, or group of individuals.

_____

(Signature of person signing bid or proposal)

_____

(Name of Business)

CERTIFICATE OF TAX COMPLIANCE

Pursuant to Chapter 62C of the Massachusetts General Laws, Section 49A (b),

I,_____, authorize signatory for_____ do hereby certify under the pains and penalties or perjury that said contractor has complied with all laws of the Commonwealth of Massachusetts relating to taxes.

Contractor

By:_____

(Signature of Authorized Representative)

_____

(Title)

_____

(Date)

City of Northampton

Financial Audit Proposal

For the Fiscal Years Ended June 30, 2016, 2017 and 2018

SCANLON & ASSOCIATES, LLC

THOMAS J. SCANLON, JR., CPA
8 Tina Drive
South Deerfield, MA 01373
Phone: (413) 665-4001
Fax: (413) 665-0593
E-mail: tscanlonjr@comcast.net

Contact: Thomas J. Scanlon Jr., CPA
Submitted: August 21, 2015

Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
413.665.4001 (t) 413.665.0593 (f)

August 21, 2015

To the Honorable City Council
City of Northampton
210 Main Street
Northampton, MA 01060

Dear Council Members:

Thank you for the opportunity to submit a proposal for audit services for the City of Northampton, Massachusetts. We have a complete understanding of the work to be performed as outlined in the City's request for proposal for financial auditing services and are committed to completing all work and deliver reports within the specified time frames.

Scanlon and Associates, LLC is independent of the City of Northampton, Massachusetts as defined by professional standards (AICPA) and government auditing standards (yellow book). Scanlon and Associates, LLC has met peer review standards as defined by the American Institute of Certified Public Accountants (AICPA). All partners and staff to be assigned to the City's engagement have extensive knowledge and experience of auditing municipalities and have met the continuing education requirements as defined by auditing standards.

We are excited about the opportunity to work with the City. We believe our firm provides timely, quality work and excellent service at a reasonable fee and would be of great value to the City. Some of the reasons to select our firm include our experience, our personnel, our process and our commitment to ensure quality work.

A summary of audit fees for fiscal years 2016, 2017 and 2018 is as follows:

Fiscal Year	Financial Statement Audit	Single (OMB A-133) Audits (a)	School End of Year Reports - AUP	Retirement GASB 67/68	Total
2016	$ 42,000	$ 8,400	$ 9,000	$ 5,000	$ 64,400
2017	$ 42,000	$ 9,800	$ 9,000	$ 5,000	$ 65,800
2018	$ 43,000	$ 8,400	$ 9,000	$ 6,000	$ 66,400

We appreciate this opportunity to be service to you. If you have any questions, please contact us immediately.

Sincerely,

Thomas J. Scanlon Jr., CPA
Scanlon and Associates, LLC

CITY OF NORTHAMPTON

Financial Audit Proposal

For the Fiscal Years Ended June 30, 2016, 2017 and 2018

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
413.665.4001 (t) 413.665.0593 (f)

August 21, 2015

To the Honorable City Council
City of Northampton
210 Main Street
Northampton, MA 01060

Dear Council Members:

We are pleased to present this proposal in response to your request for proposals to perform audit services of the basic financial statements for the City of Northampton for the fiscal years ended June 30, 2016, 2017 and 2018. This offer is effective for at least 60 days.

As a partner of Scanlon & Associates, LLC, I would like to thank you for this opportunity and to express our desire and interest in being your independent auditor. This proposal contains information on our firm's background, experience in governmental auditing and our approach to the City's audit.

Firm's Background

Scanlon & Associates, LLC is a Certified Public Accounting firm with offices located in South Deerfield and Paxton, Massachusetts. The partners, Thomas J. Scanlon, Jr. and Daniel B. Haynes, employ nine auditors. The partners are separately authorized to negotiate and contractually bind the firm. The firm has been performing audits since 1979, and the staff includes four auditors with more than 20 years' experience performing governmental audits. Our policy is to render personalized, competent and timely services. Our employees are extensively trained and evaluated on a regular basis. Although our company has grown, we remain small enough to know our clients and assist them in their needs on a regular and ongoing basis.

Partners' Background

Thomas Scanlon, Jr. is a Certified Public Accountant in Massachusetts. He is a member of the American Institute of Certified Public Accountants. He is a graduate of the University of Massachusetts at Amherst and began working at the firm, Thomas J. Scanlon, CPAs started by his father in 1979. He is now a managing partner of the firm's municipal auditing practice.

Daniel B. Haynes, CPA, is a Certified Public Accountant in Massachusetts. He is a member of the American Institute of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants. He is a graduate of Bentley College in Waltham, Massachusetts where he received a Bachelor of Science degree in Accounting. Before the establishment of his own practice in 1990, Mr. Haynes was employed as a Government Finance Specialist at General Electric Company and as a partner with another CPA firm in Massachusetts. Dan is currently the administrator of finance for the Mahar Regional School District in Orange, Massachusetts. Dan's primarily role with the firm is quality control and consulting/reviewing the firm's audit engagements.

Audit Approach

We make it a point to meet with our clients after we are hired to discuss our approach to your audit and to inform you about what will be needed from the City during the audit process and when various segments of the audit will occur. We believe this early planning benefits the City and makes for a more efficient and expedient completion of the fieldwork. The firm would start the audit fieldwork in early fall (September) and expect to issue draft reports by December 15th. Final reports will be issued once the drafts have been reviewed and approved by City, which we would anticipate that to be shortly after the drafts have been issued.

We are committed to helping our clients benefit from the audit experience. We look for ways to improve the accounting systems and internal controls of the cities, towns and school districts we audit. When we discover areas where improvements could be made, we discuss them informally with key personnel and help them in the implementation process. We are available year-round to answer questions and assist our clients.

Partner Participation

Although several members of our firm will be assisting with the audit fieldwork, a partner will be in charge throughout the audit and will participate in all segments of the City's audit engagement. Only trained experienced staff will be assigned to the audit. Occasionally, new accountants will be present in a training capacity, but a supervisor will be present at all times to oversee any work being done. Our turnover is very low so we have continuity in staffing from year to year.

Publications and Technical Resources

We subscribe to many publications and computer aids available to municipal government auditors in order to better serve our clients and assist in accounting, finance and budget issues, and other procedures required by new government laws. We maintain an extensive library that includes Audits of Local Governments, Governmental Financial Statement Illustrations and Trends, Risk-Based Audits of Local Governments, the PPC Governmental Update, GASB (Governmental Accounting Standards Board) publications and more. We subscribe to The Beacon, a publication of the Massachusetts Municipal Association. This helps keep us informed about problems facing our clients, along with possible solutions.

Report Requirements

1) Audits of the financial statements of the various funds of the City of Northampton shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* (***if required***) issued by the Comptroller of the United States and shall include such tests of the accounting records and such other auditing procedures considered necessary in the circumstances. The audits will be conducted in accordance with the newly adopted Governmental Accounting Standard Board Statements. Copies of the report will be submitted to the Bureau of Accounts, and the Federal Audit Clearinghouse, if required.

   The report will contain an auditor's opinion about whether the general purpose financial statements fairly present the financial position of the City and results of its financial operations in accordance with U.S. generally accepted accounting principles.

2) Audits of Federal Financial Assistance in accordance with the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, will also be performed (***if required).*** This audit will include a determination of major programs in accordance with OMB Circular A-133 and other procedures we consider necessary to enable us to express such opinions and the to render the required reports.

   The report will contain ***(if required)*** an auditor's statement 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*. The report will include controls that were evaluated and the significant deficiencies and material weaknesses, if any, identified as a result of the evaluation. It will also include an auditor's statement on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.

3) The audits shall cover the fiscal years ending June 30, 2016, 2017 and 2018. Copies of the final report will be forwarded to the Bureau of Accounts, Division of Local Services, the Federal Audit Clearinghouse ***(if required)*** and other appropriate agencies as required.

4) A management letter of comments and recommendations shall be submitted in a separate letter containing the specific observations and recommendations relating to compliance with federal, state and local laws, internal control, accounting practices, policies, systems, procedures and other matters as may be appropriate as a result of the examination.

   As part of the audit process, we will study and evaluate the City's internal accounting system. All significant deficiencies, material weaknesses and other inefficiencies will be outlined in a formal management letter that will be reviewed with key personnel at the completion of the audit. Following discussion, this report will be presented in bound form along with the audited financial statements to the client and appropriate agencies.

   We believe the management letter should be presented in such a way to assist our clients in improving accounting systems and internal control. We offer our clients the opportunity to respond to our comments. We listen to clients' explanations and create a dialogue to come up

with a plan for improvement in areas documented in the management letter. In subsequent years, we follow up on these issues to assure improvements are being implemented.

5) A post-audit conference will be held with the City's Management, Auditor and Treasurer to review draft copies of the aforementioned reports prior to publication and distribution of the reports in final form.

Audit Fees

We propose to charge you fees as follows:

Fiscal Year	Financial Statement Audit	Single (OMB A-133) Audits (a)	School End of Year Reports - AUP	Retirement GASB 67/68	Total
2016	$ 42,000	$ 8,400	$ 9,000	$ 5,000	$ 64,400
2017	$ 42,000	$ 9,800	$ 9,000	$ 5,000	$ 65,800
2018	$ 43,000	$ 8,400	$ 9,000	$ 6,000	$ 66,400

(a) The fee amount is based on a billing amount of $700 per day for days spent on auditing major programs. An estimated amount of days (12) was used based on the prior year's major programs.

The above fees include out-of-pocket expenses and are stated on a not-to-exceed basis. Also, they were determined on the presumption that the records will be posted and up to date and departmental reconciliations performed. Also, the financial statements and MDA will be drafted by client.

Professional Experience

We have extensive knowledge in auditing municipalities, counties and other governmental units. Our clients consist of large cities, small and medium-sized towns, school districts and water districts in Massachusetts. Officials of these entities will verify our reputation when it comes to providing quality services throughout many years.

Because of our extensive experience in municipal and school district auditing and the fact that many of our clients have retained us for more than 10 years, we believe your City will benefit from our services and our dedication to working with City personnel during the audit. Additionally, we willingly and promptly answer questions and offer assistance throughout the year. It is our goal to provide quality service and greater productivity while at the same time to be competitive and to schedule fieldwork in such a way as to alleviate excessive disruptions to your staff.

The firm has passed quality reviews by the federal government, the State Department of Revenue and a quality review in conformity with standards established by the Peer Review Board of the American Institute of Certified Public Accountants. Our 2012 review report accompanies this letter. Our next scheduled Peer Review is this year.

Summary of Recent Audit Experience

Cities

City of Chicopee
City of Northampton
City of Westfield
City of Easthampton
City of Pittsfield
City of North Adams

Towns

Town of Alford
Town of Belchertown
Town of Brookfield
Town of Chesterfield
Town of Dalton
Town of Deerfield
Town of Erving
Town of Grafton
Town of Granville
Town of Hampden
Town of Lanesborough
Town of Leverett
Town of Norton
Town of Otis
Town of Pelham
Town of Shrewsbury
Town of Southwick
Town of Tisbury
Town of Warwick
Town of Wendell
Town of West Stockbridge
Town of Westborough
Town of Worthington
Town of Auburn
Town of Brimfield
Town of Charlemont
Town of Colrain
Town of Dudley
Town of East Longmeadow
Town of Florida
Town of Granby
Town of Holland
Town of Huntington
Town of Leicester
Town of Longmeadow
Town of Milford
Town of North Brookfield
Town of Palmer
Town of Richmond
Town of Shelburne
Town of South Hadley
Town of Spencer
Town of Sunderland
Town of Ware
Town of West Brookfield
Town of Westborough

Districts

Dalton Fire District
South Deerfield Water Supply District
South Hadley Fire District No. 2
Central Berkshire Regional School District
Southern Worcester County Vocational Technical Regional School District
Shelburne Falls Fire District
South Hadley Fire District No. 1
Southern Berkshire Regional School District
Tri-County Regional School District

Retirement Systems

City of Chicopee Retirement System
Town of Milford Retirement System
Town of Shrewsbury Retirement System
City of Northampton Retirement System
City of Westfield Retirement System
City of Easthampton

External Quality Control Review

The Federal Government, as outlined in its *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, requires all firms performing governmental audits to undergo a peer review every three years. The purpose of the review is to determine that the level of quality control standards in place at a firm meets the requirements of the profession. Our firm has always successfully completed its peer reviews, which were conducted by an independent reviewer firm. Our reviewers have complimented us for our excellent attention to detail in our workpapers. Attached is a copy of the latest quality review report for our firm.

Continuing Professional Education

In addition, governmental auditors must obtain eighty (80) hours of continuing professional education over a two-year period with twenty-four (24) hours specifically related to governmental accounting and auditing. All auditors on our staff involved in governmental audits have met the continuing professional education requirements.

Positive Affirmations

The firm is licensed by the Massachusetts Board of Public Accountancy. The firm and its members meet the independence requirements of Government Auditing Standards.

The documentation that is generated as a result of the engagement will be maintained for a period of at least five years after the completion of the engagement and will be made available upon a valid request to authorized representatives of any cognizant federal audit agency, the GAO or the Commonwealth of Massachusetts.

References

Matt Kerwood, Town Administrator
Town of Richmond
1529 State Road
Richmond, MA 01254
(413) 698-3882

Zachary Taylor, Finance Director
Town of Milford
52 Main Street
Milford, MA 01757
(508)634-2309

Sharyn Riley, City Auditor
City of Chicopee
City Hall Annex
Chicopee, MA 01013
(413) 594-1412

Mary Thompson, Town Accountant
Town of Shrewsbury
100 Maple Avenue
Shrewsbury, MA 01545
(508) 841-8505

Leah Talbot, Town Accountant
Town of Westborough
45 West Main Street
Westborough, MA 01581
(508) 366-3005

Deborah Strycharz, City Auditor
City of Westfield
59 Court Street
Westfield, MA 01581
(413) 572-6257

LIST OF FIRM PERSONNEL

ORGANIZATION CHART, LIST OF PROFESSIONAL STAFF, YEARS OF EXPERIENCE AND AREAS OF EXPERTISE

PRINCIPALS:	Thomas J. Scanlon, Jr. Certified Public Accountant	20+ years of Municipal Experience
	Daniel B. Haynes Certified Public Accountant	25+ years of Municipal Experience
SUPERVISORS:	Douglas Selkirk (Passed all parts of CPA exam)	25+ years of Municipal Experience
	Jeffrey Gendron Certified Public Accountant	15+ years of Municipal Experience
	Jo Ann Webster	20+ years of Municipal Experience
SENIOR AUDITORS:	Steven Stanlick	10+ years of Municipal Experience
STAFF AUDITORS:	Michael Pelletier	10+ years of Municipal Experience
	Matthew Nowicki	9 years of Municipal Experience
	Kyle Mitchell	2 year of Municipal Experience
	Doug Williams	Started January 2015
	Peter Turbin	Started August 2015
OFFICE MANAGER:	Kristine Ashman	

All of the above personnel would be eligible to be assigned to the District's audit. The audit team for the District would be made up of one partner, two supervisor/senior auditor and up to two staff auditors.

Timing

Subject to the availability of City staff, we anticipate starting the audit fieldwork in early fall (September) and issue draft reports by December 15th. Final reports will be issued once the drafts have been reviewed and approved by City, which we would anticipate that to be shortly after the drafts have been issued.

The final report and exit conference shall be presented at the request of the administration. Our invoice will be submitted at the conclusion of the audit.

Summary

This proposal will remain in effect for a period of one hundred and twenty (120) days from the submission date and thereafter until withdrawn, a contract is made and approved, or the procurement is canceled, whichever occurs first. The undersigned has the authority to contractually bind Scanlon & Associates, LLC.

Our firm recognizes that its sole product is prompt and effective service of the highest quality. Our goal is to serve our clients to their complete satisfaction. The individuals in our firm are highly trained and experienced professionals who work well with our clients.

We appreciate the opportunity to submit this proposal and look forward to hearing from you. If you have any additional questions regarding our proposal, please do not hesitate to contact our office.

Sincerely,

Thomas J. Scanlon Jr., CPA
Managing Partner
Scanlon & Associates, LLC

APPENDIX A

A-1

CITY OF XXXX, MASSACHUSETTS

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2014

CITY OF XXXX, MASSACHUSETTS

Management Letter

Year Ended June 30, 2014

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To the Honorable Mayor and City Council
City of XXXX
XXXX, Massachusetts

In planning and performing our audit of the basic financial statements of the City of XXXX as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of XXXX's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or 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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with City personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

The City's written response to our comments and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the management, the Mayor and City Council, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 16, 2015

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Informational Items

A. New OMB Circular

Comment:
In December 2013 the Office of Management and Budget (OMB) released new guidance on administrative requirements, cost principles and audit requirements for federal awards, which has been so called the "Super Circular" or "Omni Circular". This new guidance supersedes and streamlines requirements contained in OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133 by consolidating the requirements of those eight documents into one. The new guidance affects entities receiving and administering federal awards as well as auditors responsible for auditing federal award programs. The goal of this reform is to provide guidance that ease the administrative burden of federal awards, strengthen oversight over federal funds to reduce risks of waste, fraud and abuse and eliminate duplicate and conflicting guidance between circulars. The new guidance will be in effect for all federal awards or funding to non-federal entities on or after December 26, 2014 and will apply to non-federal entity audits for fiscal years beginning on or after that date (fiscal year 2016).

We recommend City personnel that administer and account for federal awards familiarize themselves with this new guidance.

B. Government Accounting Standards Board (GASB) Statement – GASB no. 68

Comment:
The GASB has issued new pronouncements that will significantly affect financial accounting and reporting requirements for Pensions. One of the pronouncements that will affect the City is summarized as follows:

- GASB Statement No. 68 *"Accounting and financial reporting for pensions"* is required to be implemented in fiscal year 2015. This statement will significantly change the reporting and accounting of the pension liability and expense. The primary objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. Changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Current actuarial methods and assumptions may continue to be used to determine funding amounts. Governments will be required to recognize in their financial statements a net pension liability (asset) determined annually as of the end of the fiscal year. GASB statement no. 68 is a financial reporting standard and does not require funding of any net pension obligation.

Given the significant impact of this GASB statement on the City's financial accounting and reporting we recommend that the City familiarize and educate themselves with the statement.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Departmental Receipt Procedures

Comment:
Various departments of the City receive cash and check payments from customers in the normal course of operations. Cash transactions, by nature, have a higher degree of inherent control risk and require the establishment of additional preventive controls to safeguard against loss. The City should establish and disseminate uniform policies and procedures for the handling of receipts by all departments. Issues to be considered include:

- Maintaining receipt logs with reference to source documentation.
- Maintaining pre-numbered receipt books.
- Maintaining an audit trail over remittances to the Treasurer's Office.
- Establishing policies for frequency of remittance.
- Establishing policies for breakdown of cash and checks on a standardized turnover sheet.
- Account reconciliations between the Treasurer's and Auditor's office with City Departments.
- Security of receipts on hand during City business hours and overnight.

We recommend that the City review and modify, if necessary, the uniform policies and procedures over the receipt function pertaining to various departmental receipts. The City should monitor departmental compliance with established procedures on a periodic and continual basis. All department heads should review established procedures and document their understanding of the relevant cash receipt control activities.

2. Review Receipt Deposit Procedures

Comment:
During our audit we tested bank deposits and noted the current deposit procedure of receipts does not reflect the actual departmental turnover in its entirety. We recommend that the City Treasurer's office review its deposit procedures and consider changing its procedures. We recommend that departmental receipts turned over to the Treasury be deposited as a whole and not separated. We believe this procedure would improve the audit trail and also improve internal control over departmental receipts.

3. Improve Reconciliation of Subsidiary Ledger

Comment:
During our audit fieldwork we reviewed and tested the budgets set-up in the subsidiary ledgers and we found the following:

- A council vote transferring $229,000 of free cash to another fund was not done.
- An encumbrance was set up twice - $38,500.
- Sewer budgeted revenues did not agree to fiscal year 2014 budget information.

We communicated these matters during our fieldwork to City Auditor office personnel. We recommend the City review it's current procedures to reconcile the subsidiary ledgers and make improvements.

4. Procurement – Chapter 30B

Comment:
Massachusetts General Laws Chapter 30B requires that purchases of $10,000 to $25,000 be supported by documentation that quotes were obtained by at least three vendors and that expenditures of $25,000 or more be subjected to a formal bidding process. During our audit we tested the City's compliance of Chapter 30B. We noted an instance in which the procurement laws may not have been met. The instance was in regard to a sole source purchase for textbooks ($21,448). A purchase under sole source requires that documentation be retained of the basis of the determination that only one practicable source exists. We could not locate such documentation during our fieldwork. We communicated this instance with personnel during our fieldwork. We recommend that if a sole source procurement is made all proper documentation is retained in a central file.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Golf Course

Prior Year Comment:
During our audit we reviewed the various activities and controls of the golf course operations. We found the following:

- The golf course did not maintain a documented inventory control for the pro-shop. The general manager stated that they performed inventory counts periodically throughout the year but we could not locate any documentation that this was done. We printed an inventory list from the point of sale system at the time of our fieldwork and compared several items to the inventory on hand. We noted discrepancies between the list and items on hand. The golf course should implement a monthly documented inventory control system. In this way the assets of the pro-shop will be safeguarded.
- Upon inquiry we noted that certain personnel are receiving free golf. We would interpret this as a form of compensation and should be subject to payroll taxes. We could not verify if it was in accordance with City policies and procedures. We recommend that the City review this matter to determine if it is appropriate and whether it's a form of compensation.
- The Golf course implemented a video/camera surveillance system. Upon inquiry we noted that there are no procedures or policies on how the system is utilized, for instance, when and whom review the recordings and how long recordings are retained.
- During our testing of daily revenues we noted that voided sales seem to be excessive. Reports processed from the Golf's POS system indicated that approximately $53,465 of voided sale transactions occurred in fiscal year 2013. We inquired to personnel about the excessive amount of voids. We were told the majority of voids are related to inquiries of prices on items and this is done by entering a sale in the POS system to obtain the price and then voiding it out. We tested two weeks of daily sales and could not verify to documentation that supported the voids. We recommend that the golf course change its procedures to reduce the amount of voided sale transactions. Also, the daily sales reports should be reviewed by management to ensure that revenues are properly reconciled and that voided transactions are appropriate.

Status- Fiscal Year 2014 Audit:
During fiscal year 2014 the City Auditor's and City Treasurer's office has been working with the Golf Course personnel to establish new policies and procedures. During our fieldwork we followed up on our prior year's comments and have noted that the new policies and procedures were effective and last year's situation had been rectified. We recommend that the City Auditor's office continue with their efforts to monitor the Golf Course operations.

2. Health Insurance

- *Budget*

Prior Year Comment:
During the last three fiscal years we have noted a significant unobligated surplus within the health insurance budget. We have summarized below:

Fiscal Year	Budget	Expended	Obligated/ Committed	Excess
2011	$ 14,764,595	$ 12,786,077	$ 998,500	$ 980,018
2012	13,444,955	11,058,245	975,000	1,411,710
2013	15,166,620	11,833,457	980,000	2,353,163

Health insurance can have an impact on other areas within the City, such as net school spending. We inquired and reviewed the reason for the excess but could not establish a reasonable determination except for that fact that it was over budgeted. We recommend that the City review the policies and procedures for establishing the health insurance budget to determine if it accurately reflects the City's expenditures.

Status- Fiscal Year 2014 Audit:
The City has reviewed its policies and procedures for establishing a budget for the health insurance budget. The City has made changes which will be effective for its 2015 budget.

- *Withholding*

Prior Year Comment:
During our audit we noted that health insurance withholding account balances are not being properly reconciled. Because these accounts have significant annual activity and carries with it statutory responsibilities, we recommend that these accounts be accounted for accurately and consistently. A proper and timely reconciliation of the health insurance withholdings would minimize and control potential discrepancies from occurring.

We recommend that all health insurance withholding accounts be reconciled monthly to the applicable governmental regulations and source documents to insure that proper employee contributions are being properly accounted for.

Status- Fiscal Year 2014 Audit:
The City has taken our recommendation under advisement and is currently reviewing its procedures. As of the date of our audit the situation remains the same.

3. MSBA Project – XXXX Academy

Prior Year Comment:
The City has a school capital project (XXXX Academy) that is a MSBA grant eligible project. During our audit we reviewed the transactions in the project. We noted that the City does not have a procedure in place to reconcile the project reimbursement submittal requests to the general ledger account activity. Further we noted that the reimbursement requests were not being done in a timely manner. We recommend that a procedure be implemented to insure the requests are timely and accurately represent the activity in the general ledger capital project.

Status- Fiscal Year 2014 Audit:
The City Treasurer's office has taken over the MSBA reimbursement submittal process and has rectified the prior year's situation.

4. Posting of Revenues to General Ledger

Prior Year Comment:
During our audit we found that revenues were not being posted accurately or timely to the City's general ledger. During our fieldwork we noted instances in which revenues were not posted to the general ledger in excess of three months and revenues posted to inaccurate accounts (Medicaid). In a review of subsequent to year-end transactions in February of 2014 we found that revenues were posted through October 2013. Management of the City must rely on the financial information generated by the City Auditor's office to make decisions that affect short-term and long-term financial goals of the City. In order for management to make sound decisions they must be confident that the information generated is timely. Furthermore, by not posting revenues to the general ledger in a timely manner will also delay the reconciliation of other key accounts (i.e. cash and receivables).

We recommend that revenues be posted to the City's general ledger accurately and in a timely manner.

Status- Fiscal Year 2014 Audit:
The City has improved the process of posting revenue to the general ledger in a timely manner. As of the date of our fieldwork began January 6, 2015 revenues and cash reconciliations were thru November 2014.

5. Tax Title Reconciliation

Prior Year Comment:
During our audit we found that the reconciliation process between the City Treasurer's tax title accounts receivable ledger and the City Auditor's general ledger were not effective. The variance from prior year did not remain the same as summarized below:

	Outstanding Per General Ledger June 30, 2013	Outstanding Per Subsidiary Ledger June 30, 2013	Variance June 30, 2013	Variance June 30, 2012	Change
Tax Title	$ 549,630	$ 634,126	$ (84,496)	$ (42,480)	$ 42,016

We also noted during our audit that the schedule of outstanding receivable submitted to Department of Revenue for free cash certification indicated a zero variance.

In prior audits we had similar comments in the management letters and in fiscal years 2011 and 2012 the City implemented procedures to reconcile the tax title subsidiary ledgers and the general ledger with maintaining the same variance.

We recommend that procedures be implemented to effectively reconcile the Treasurer's tax title records to the City Auditor's general ledger.

Status- Fiscal Year 2014 Audit:
The City Auditor's and the City Treasurer's office have made improvements to the reconciliation process with regard to tax title. The variance at June 30, 2014 was $13,967 as submitted on the schedule of outstanding receivables for free cash certification by the Department of Revenue. During our audit fieldwork we found that the general ledger did not have certain accounts transferred from tax title to tax foreclosure and have proposed an adjustment to the general ledger. After the adjustments for the foreclosures the variance would be the same as the prior year. We have proposed an additional adjustment for this, thus eliminating the variance.

We recommend that periodic reconciliations continue to take place with no variance.

6. Transfer of Funds in Bank Accounts

Prior Year Comment:
As a result of the City having various special accounts that earn interest (i.e. MWRA projects, student activities, electric light depreciation fund), actual cash transfers are necessary between funds, for such items as City council votes or actual expenditures that are paid out of the general cash but not paid out of the specific bank account. By not transferring funds, this causes accounting problems and also results in the specific funds not receiving the correct amount of interest. Further, any transfers that are made should be documented in detail.

Status- Fiscal Year 2014 Audit:
The situation remains the same at June 30, 2014. During our fieldwork we have communicated this matter with the Treasurer's and they are aware and will make the necessary corrections going forward.

7. Improve Accounting for MWPAT Capital Projects

Prior Year Comment:
The City has several projects that are funded by proceeds from Massachusetts Water Pollution Abatement Trust (MWPAT). Monies from MWPAT are classified as proceeds from issuance of debt and the monies from the MWPAT are not received at one time, like a traditional borrowing would be, instead the City submits to the MWPAT for reimbursement of expenditures incurred on a periodic basis and funds are received over a period of time. Furthermore some MWPAT proceeds can be partially funded from federal grants which would have an impact on the City with regard to the A-133 audit (single audit). Accounting for MWPAT projects can be complex based on the factors mentioned above.

During our audit we noted that the City did not properly set up accounts receivable and liabilities for the debt on the general ledger. Receivable and loan accounts should be established in the general ledger to track all MWPAT committed loans. These receivables and loans should be reconciled to the Treasurer's and departmental records on a periodic basis. This will insure that all MWPAT loans and proceeds are properly accounted for.

Status- Fiscal Year 2014 Audit:
The City has taken our recommendation under advisement. The situation remains the same at June 30, 2014.

8. ILOT Departmental Receivable

Prior Year Comment:
The ILOT accounts receivable for the City is approximately $287,212 at June 30, 2013. Of that amount approximately $199,114 is from fiscal years 2012, 2010 and 2009. The majority of this amount ($143,114) has been set up as an uncollectible account on the City's financial statements.

We recommend that the City review these accounts.

Status- Fiscal Year 2014 Audit:
The City has reviewed and corrected the ILOT accounts receivable.

9. Community Development

Prior Year Comment:
In prior fiscal years (2010 and 2011) we had recommended that the community development office improve the reconciliations with the City Auditor's general ledger. One of the recommendations was to implement a new chart of accounts on the general ledger and utilize a spreadsheet within the community development department. In fiscal year 2012 improvements were made with regard to reconciliations between the two departments. As part of the 2012 process adjustments were made to close out old accounts and combine accounts. During our current audit we found mispostings to general ledger accounts within community development projects. Furthermore, because of the uniqueness of the community development program and the design of the chart of accounts monthly journals entries may be required between accounts (i.e. salaries). We noted that these journal entries were not completed between community development line items. Although the community development program as a whole is accurate some line items within the program may be incorrect on the general ledger. We recommend that the City Auditor and community development continue to improve their reconciliation process. As part of that process individual accounts within the community development program should be reconciled. Furthermore, the community development department maintains various loan receivables. To improve controls these loan receivables should be set up on the City's general ledger and reconciled periodically (i.e. monthly/quarterly).

Status- Fiscal Year 2014 Audit:
The City Auditor's office has reviewed the situation and in fiscal year 2015 has implemented procedures to reconcile with Community Development. As of the date of our fieldwork there were still adjustments that were not made to correct prior year balance. We communicated these to personnel and it was the intention to record them by the end of the fiscal year.

10. School Lunch

Prior Year Comment:
The School Food Service Program generates program income from sales of lunches and breakfasts. These funds, along with federal and state reimbursements, are accumulated in a revolving fund as authorized by Chapter 548 of the Massachusetts General Laws. Proper controls should be in place to adequately account for revenues deposited from sales of meals.

The School Food Service Program uses a point of sale system at 13 of its 15 schools. Six of the elementary schools recently implemented the point of sale system to account for the meals served and revenue collected. Our tests of the reports at the schools indicated that the point of sale system is not being fully utilized at the schools. Several schools do not report the amount of revenue received in the drawer at the end of the last lunch period, and the schools do not reconcile the potential revenue collected to the actual revenue deposited. Also, there is no review at the Food Service Director's office to reconcile potential sales to the actual amount deposited.

We recommend that the personnel operating the registers at the school level be properly trained and that the point of sale system be fully utilized. Register operators should report the actual revenue in the drawer at the end of the last lunch period each day. Administrative personnel should review the reports generated from the schools and investigate any large discrepancies. Furthermore, we recommend that funds awaiting deposit into the City Treasury be properly safeguarded.

Status- Fiscal Year 2014 Audit:
Additional training has been provided to personnel operating the registers at the schools and procedures have been implemented in the School Food Services Department at the schools to reconcile the actual revenue deposited to the potential revenue collected and for review by the Food Services Director's office of the daily sales reports from the schools to the amount deposited.

11. GASB Statement No. 40 – Deposit and Investment Risk Disclosures

Prior Year Comment:
GASB 40 – "Deposit and Investment Risk Disclosures" requires detailed disclosures for cash deposits and investments in the City's financial statement. As part of the requirements is disclosure of the City's investment policies regarding various risks associated with cash deposits and investments with custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The City's current policies and procedures do not specifically address the risks of GASB 40 statement.

We recommend that the City become familiar with the requirements of GASB 40 and adopt policies and procedures into the City's investment policy in relation to the specifics of GASB 40.

Status- Fiscal Year 2014 Audit:
The City has reviewed their current investments and has taken our comment under advisement.

12. Review Indirect Costs for Enterprise Funds

Prior Year Comment:
The City maintains two enterprise funds (water and sewer). As part of maintaining enterprise funds the City charges the enterprise funds for indirect costs of the City (i.e. insurance, interdepartmental support). As part of the audit we review the indirect costs and have found them to be proper. However, it has been several years since the City has reviewed the policy and framework of the indirect costs. We recommend that City review the indirect cost framework and to establish a written internal policy.

Status- Fiscal Year 2014 Audit:
The City has taken our recommendation under advisement and will review during the fiscal year 2016 budget process.

13. Establish Internal Audit Function

Prior Year Comment:
Currently, the City does not perform regular departmental internal audits. Massachusetts General Laws provide powers and duties to the City Auditor to perform internal audit functions, including examining records of all departments responsible for receiving and expending funds. Internal audits compliment the independent audit and will provide important oversight over departmental accounting records throughout the year.

We recommend the City Auditor perform periodic internal audits of the Cities departmental records. This will result in improved oversight and should reduce the risk of errors and irregularities from occurring and going undetected.

Status- Fiscal Year 2014 Audit:
The City Auditor has started to implement internal audits. In fiscal year 2014 the City Auditor started with the Gold Course Operations. We encourage the City to continue with this practice.

14. Risk Assessment and Monitoring

Prior Year Comment:
When internal controls are initially implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and service, can add risks that previously did not exist. As a result, all municipalities should periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. The City, like most Massachusetts municipal organizations, does not adequately perform this assessment.

The fraud risk assessment can be formal or informal, and should be performed by a management-level employee who has extensive knowledge of the City's operations. Ordinarily, the management-level employee would conduct interviews or lead group discussions with personnel who have extensive knowledge of the City's operations, its environment, and its processes. The fraud risk assessment process should consider the City's vulnerability to misappropriation of assets. When conducting the assessment, the following questions should be considered.

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriations of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?

Specific areas which should be assessed and documented are as follows:

- Cash collected at a decentralized location (outside City Hall)
- Accounts Payable
- Payroll
- Inventory of City assets, such as computer technology

Once the areas vulnerable to fraud have been identified, a review of the City's systems, procedures, and existing controls related to these areas should be conducted. The City should consider what additional controls (if any) need to be implemented to reduce the risk.

After the risk has been assessed and controls implemented the City should periodically monitor these controls to evaluate the operational effectiveness.

Status- Fiscal Year 2014 Audit:
As of the date of our audit the City has not implemented procedures to monitor and assess their internal controls on a periodic basis. We recommend that the City Auditor determine the City's significant financial transactions. Once these are determined they should review the current policies and procedures of internal control over these transactions and determine if they are adequate. For instance, departmental permits maybe classified as a significant transaction. The City would review this area to determine if the source documentation maintained by the department supports the revenue collected for the use/participation of that that particular activity. This process could be part of the internal audit function as noted above.

APPENDIX B

B-1

TOWN OF XXXX, MASSACHUSETTS

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2014

TOWN OF XXXX, MASSACHUSETTS

Management Letter

Year Ended June 30, 2014

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To the Honorable Select Board
Town of XXXX
XXXX, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Town of XXXX as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of XXXX's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control:

A significant deficiency was identified as Items 2014-1 and 2014-2.

Also, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This report is intended solely for the information and use of the management, the Select Board, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

August 22, 2014

CURRENT YEAR COMMENTS AND RECOMMENDATIONS - SIGNIFICANT DEFICIENCY

Finding 2014-1: Cash and Investment Reconciliation

Comment:
The Treasurer's office and Accountant's office is responsible to complete timely reconciliations of activity and balances of the cash and investments. We cannot emphasize enough the importance of the timely and accurate reconciliations of cash and investments in order to have an effective system of internal controls.

Internal control procedures should be designed in a manner that ensures all activity is recorded in the cashbook prepared by the Treasurer as the transactions occur. At the same time as the activity is being posted to the cashbook a corresponding posting would be made to the general ledger maintained by the Accountant's office. The cashbook balance and the general ledger cash balance must match at all times. At the end of each month the Treasurer would complete a reconciliation between the cashbook and bank statements. The Treasurer and Accountant would then reconcile the cashbook and the general ledger shortly thereafter.

During our audit (fiscal year 2014) we noted that individual bank statement reconciliations were not being performed properly with reconciling items documented and reconciled to the Treasurer's cashbook. Furthermore, an effective and periodic reconciliation of the Treasurer's records to the Town Accountant's general ledger was not being completed. A cash variance of approximately $15,000 exists at June 30, 2014 between the Treasurer's records and Accountant's general ledger.

The absence of having timely and proper procedures in place to reconcile Treasurer's records to the Accountant's general ledger significantly increases the risk that misstatement due to error or fraud may occur and not be detected, prohibits the safeguarding of assets and does not provide for accurate a timely financial reporting.

We cannot emphasize enough the importance of the timely reconciliation of cash and investments in order to have an effective system of internal controls. We strongly recommend management closely monitor this situation to ensure that cash and investments are reconciled in a timely manner between the Treasurer's records and the Town Accountant's general ledger. Also, individual bank reconciliation's are performed monthly with all reconciling items properly documented.

Finding 2014-2: Internal Controls Over Financial Reporting

A system of internal control over financial reporting includes the design and implementation of policies and procedures deemed necessary by management to provide reasonable assurance that the Town's financial information is fairly presented. The following are two critical assertions that underlie the Town's financial information:

- *Completeness*
  All transactions and other events and circumstances that occurred during a specific period and that should have been recognized in that period have, in fact, been recorded.

- *Accuracy, Valuation, or Allocation*
  Asset, liability, revenue and expenditure components are recorded at appropriate amounts in conformity with relevant and appropriate accounting principles. Transactions are mathematically correct and appropriately summarized and recorded in the entity's books and records.

The reliability of financial reporting is one of the key elements used by management to achieve its desired objectives and meet internal and external responsibilities. As part of performing audit risk assessment procedures to understand the attitudes, awareness and actions of management concerning internal control and its importance in achieving reliable financial reporting, we noted the following:

- Variances exist between the general ledger revenue and expenditure control accounts and the detail sub-ledgers of the revenues and expenditures for the general fund. Furthermore, we noted different amounts were used for the schedule A (year-end Department of Revenue reporting document) for revenues, expenditures, other financing sources and uses than what the general ledger reports were stating. We could not locate proper supporting documentation for several amounts used on the Schedule A.

- During our audit we reviewed journal entries made to the general ledger. We noted that a journal entry book is maintained, however we could not locate supporting documentation for several entries made to the general ledger. To maintain a good internal control system all entries made to the general ledger should be supported by proper documentation. We recommend that the journal entries have supporting documentation and that this documentation be filed with the journal entry book.

- Overlay surplus for $24,230 was utilized as a funding source for a 2014 appropriation. We could not find that this amount was set-up as a reserved fund balance in the general fund. We have proposed an adjustment that would lower the amount of free cash certified by DOR for fiscal year 2014 and as such the Town should take this into account for future planning on use of free cash.

- We noted that there was no procedure to reconcile the authorized town meeting votes, the tax recapitulation sheet, budget transfers and budget of the expenditure and revenue subsidiary ledgers. The lack of not having these procedures in place can lead to a situation in which appropriations are overdrawn, expenses paid from incorrect line items and department heads and management not having accurate information to maintain operating efficiency.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Payroll Withholdings

Comment:
During our audit we noted that payroll withholding account balances are not being properly reconciled. Because these accounts have significant annual activity and carry with them statutory tax liabilities, among other responsibilities, we recommend that these accounts be accounted for accurately and consistently. A proper and timely reconciliation of payroll withholdings would minimize and control potential discrepancies from occurring.

We recommend that all withholding accounts be reconciled monthly to the applicable governmental regulations and source documents to insure that proper employee contributions are being made and relieved. Furthermore, we noted that the Town changed procedures in April 2014 for how they account for payroll withholdings by not accounting for all payroll withholdings activity in the general ledger. The controls over accounting for payroll withholdings will be done through the cash reconciliation process. This is a common procedure and practice among smaller municipalities. We recommend that the Town change this procedure and account for all payroll withholdings on the general ledger. This will increase oversight and improve internal controls with regards to payroll withholdings.

2. Capital Assets

Comment:
GASB No. 34 requires that capital assets be on the financial statements for tier 3 governments starting in fiscal year 2004. The Town in previous audits has compiled a list of capital assets and was in compliance with GASB No. 34. During our audit we tested the capital assets and found that the Town did not keep adequate records with regard to additions, deletions and depreciation. Also the Town has no formal policy and procedures on capital assets.

We recommend that the Town adopt a formal policy and a procedure with regard to capital assets. Having a policy and a procedure in place will insure that all capital assets are being accounted for under the financial reporting model of GASB # 34.

3. Record all Receivables in General Ledger

Comment:
During our audit we noted that the Town does not record accounts receivables for the septic loan program, veteran benefits, rent on Tilton farm and Chapter 90 (highway). To establish an effective and sound internal control system we recommend that these accounts receivable be recorded on the general ledger. Also, as with all receivables, they should be periodically reconciled to source documents.

4. Review of Departmental Receipt Procedures

Comment:
Various departments of the Town receive cash and check payments from customers in the normal course of operations. Cash transactions, by nature, have a higher degree of inherent control risk and require the establishment of additional preventive controls to safeguard against loss. The Town should establish and disseminate uniform policies and procedures for the handling of receipts by all departments. Issues to be considered include:

- Maintaining receipt logs with reference to source documentation,
- Maintaining pre-numbered receipt books,
- Maintaining an audit trail over remittances to the Treasurer's Office,
- Establishing policies for frequency of remittance,
- Establishing policies for breakdown of currency and checks on a Standardized Turnover Sheet,
- Account reconciliations between the Treasurer's and Accountant's office with Town Departments, and
- Security of receipts on hand during Town business hours and overnight.

We recommend that the Town review and modify, if necessary, the uniform policies and procedures over the receipt function pertaining to various departmental receipts. The Town should monitor departmental compliance with established procedures on a periodic and continual basis. All department heads should review established procedures and document their understanding of the relevant cash receipt control activities.

5. Collector and Treasurer Surety Bond Amounts

Comment:
The Treasurer and Collector positions currently have surety bond amounts of $25,000 and $50,000, respectively. The current recommend bond amount, as outlined in the Massachusetts Collector and Treasurer's manual, applicable to the Treasurer and Collector for the Town of XXXX would be a $100,000 each. We recommend that management review this situation to determine if the surety bond amount should be increased.

6. Payroll

Comment:
During our audit we reviewed and tested the Town's payroll procedures. We noted the following:

- We noted that not all employees are signing the timesheets indicating that they have worked hours indicated. One of the key controls in the payroll process is having the employee sign the timesheet as an acknowledgement that have worked the hours indicated We recommend that the Town review this matter and implement the necessary procedures to ensure that this control is being done.

- We found adequate documentation missing from employee in personnel files. For instance, forms W-4 and I-9 and pay rates.

- Reconciliation of tax reporting forms (941's and W-2's) was not done. We noted a variance with taxable wages reported on form W-2's and forms 941 for calendar year 2014.

- During our audit we found retirement was inaccurately calculated for several employees. For instance, vacation and sick pay amounts were not included in the retirement calculation. Furthermore, we could not verify several employees were eligible for being part of the County retirement system based on the number of hours worked each week. We recommend that the Town review all employee positions to ensure retirement in being calculated accurately and that each employee is eligible for participation in County retirement system

- During our testing of payroll we noted that the employee deduction for the health insurance premium was not being accurately calculated. We recommend that the Town review the method of calculation for the employee health insurance deduction.

- Compensated absence (unused sick and vacation) should be accounted for as part of payroll system.

7. Financial Policies and Procedures Manual

Comment:
Internal control is defined as "a process – effected by those charged with governance, management and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The components of internal control apply to all entities, although smaller entities may implement them differently from larger entities. The controls in a smaller organization, such as the Town of XXXX, may be less formal and less structured, yet the objective of small and large organizations should be the establishment of effective internal control. Internal control consists of five interrelated components:

- The Control Environment
- Risk Assessment
- Information and Communication Systems
- Control Activities
- Monitoring

In order to improve and maintain the existing system of internal controls, the Town should consider documenting the policies, procedures and controls over key financial transactions, which have been in place and relied upon over the years. The Financial Policies and Procedures should include an investment policy, a personnel policy (of which the Town has), a risk assessment policy, and a formal documentation of the detailed financial reporting policies and procedures. A written Financial Policies and Procedures Manual will help improve the efficiency and consistency of transactional processing and establish responsibilities for specific duties.

Auditing standards currently in effect require auditors to consider and evaluate what the auditee is doing internally as part of an ongoing "Risk Assessment Process." Part of the assessment includes a review of available, documented policies and procedures. We recommend the Town develop and document a Financial Policies and Procedures Manual. The documentation should describe relevant procedures as they are intended to be performed and explain the design and purpose of control-related procedures, including your risk assessment process with regard to financial reporting.

8. Other Areas

- Older outstanding tax receivable levies.
- GASB statement 45 – OPEB.
- Implementation of future GASB statements (GASB no. 65 and 68).
- Improve timeliness of free cash certification and year-end reporting.
- Segregate Non-Expendable and Expendable trusts.
- Print and retain as permanent record the general ledger.
- Reconcile police fire-arm license account.
- Centralize procurement records.
- Remove tax possession from tax rolls.
- Issuance of IRS form 1099's.

APPENDIX C

YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947-2004) ◆ RANDY S. WATSON ◆ G. LANCE MCGAUGHEY
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

C-1

System Review Report

October 16, 2012

To the Members of Scanlon & Associates, CPAs
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 Scanlon & Associates, CPAs (the firm) in effect for the year ended May 31, 2012. 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. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Scanlon & Associates, CPAs in effect for the year ended May 31, 2012, 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*. Scanlon & Associates, CPAs has received a peer review rating of pass.

Yanari Watson McGaughey P.C.

Yanari Watson McGaughey P.C.

9250 EAST COSTILLA AVENUE, SUITE 450
GREENWOOD VILLAGE, COLORADO 80112-3647
(303) 792-3020
FAX (303) 792-5153
web site: www.ywmcpa.com

APPENDIX D

Proposal for Auditing Services - City of Northampton, MA
FY16, FY17, FY18 Audits

All quotes to be lump sum

All prices to be level funded for three years

Audit Type	FY16	FY17	FY18	TOTAL
Basic Financial Statements - these should include: Basic Financial Statements, Management Letter and requirements to comply with Single Audit Act	$ 47,000.00 (A)	$ 47,000.00 (A)	$ 49,000.00 (A)	$ 143,000.00
Federal Audits:				
Smith Vocational and Agricultural High School - Title I	$ 1,400.00	$ 700.00	$ 1,400.00	$ 3,500.00
Smith Vocational and Agricultural High School - School Lunch		$ 1,400.00		$ 1,400.00
Smith Vocational and Agricultural High School - SPED Grants	$ 1,400.00	$ 700.00	$ 1,400.00	$ 3,500.00
Northampton Public Schools - Title I	$ 1,400.00	$ 1,400.00	$ 1,400.00	$ 4,200.00
Northampton Public Schools - School Lunch		$ 1,400.00		$ 1,400.00
Northampton Public Schools - SPED Grants	$ 1,400.00	$ 1,400.00	$ 1,400.00	$ 4,200.00
CDBG	$ 2,800.00	$ 2,800.00	$ 2,800.00	$ 8,400.00
School End of Year Reports:				
Northampton Public Schools	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 13,500.00
Smith Vocational and Agricultural High School	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 13,500.00
TOTAL:	$ 64,400.00	$ 65,800.00	$ 66,400.00	$ 196,600.00

(A) - Includes a fee of $5,000 for FY 16 and FY17 and $6,000 for FY 18 for GASB 67/68 retirement system

D-1

APPENDIX E

E-1

ATTACHMENT B

CITY OF NORTHAMPTON
REQUEST FOR PROPOSALS
FOR AUDITING SERVICES

Proposal Submission Forms

CERTIFICATE OF NON-COLLUSION

The undersigned certifies under the penalties of perjury that this bid or proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the work "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity, or group of individuals.

(Signature of person signing bid or proposal)

Scanlon & Associates, LLC

(Name of Business)

CERTIFICATE OF TAX COMPLIANCE

Pursuant to Chapter 62C of the Massachusetts General Laws, Section 49A (b),

I, Thomas J. Scanlon Jr, authorize signatory for Scanlon & Associates, LLC do hereby certify under the pains and penalties or perjury that said contractor has complied with all laws of the Commonwealth of Massachusetts relating to taxes.

Contractor

By:

(Signature of Authorized Representative)

Managing Partner

(Title)

August 21, 2015

(Date)

CITY OF NORTHAMPTON
MASSACHUSETTS

CONTRACT
FOR
Auditing of FY16-FY18

THIS AGREEMENT, executed this _____ day of _____ 2015 by and between Scanlon & Associates, 8 Tina Drive, South Deerfield, MA 01373, hereinafter called "Vendor" and the City of Northampton, a municipal corporation in the County of Hampshire, Commonwealth of Massachusetts, party of the second part hereinafter called "Owner".

WITNESSETH, that for the consideration hereinafter mentioned, the Owner and the Vendor shall agree to the terms and conditions contained in this contract, enumerated as follows: The Owner-Vendor Agreement, Bidding Documents, Contract Forms, Specifications contained in Northampton RFP for Auditing Services dated July 31, 2015 and proposal of Scanlon & Associates. In the event of a conflict the RFP controls. and all addenda issued prior to and all Modifications issued after execution of the Contract.

THE OWNER shall pay the Vendor for the performance of this contract in the sum of **Not to exceed $65,533 annually** in accordance with the terms of this contract.

This contract shall not be altered in any particular without the consent of all parties to this contract. All alterations to this contract must be in writing and authorized as such by the Mayor and a Majority vote of the Board, Agency, or Committee signing this contract.

The Vendor shall not delegate, assign or transfer any of its duties delineated in the scope of services without prior written consent from the CITY.

In the event the Vendor is a corporation a certificate that the person executing this contract is duly authorized to sign, must accompany this contract.

Notwithstanding anything in the Contract documents to the contrary, any and all payments which the City is required to make under this Contract shall be subject to appropriation or other availability of funds as certified by the City Auditor. Obligations for payments beyond the current fiscal year are subject to appropriation and this Contract shall be canceled in the event of non-appropriation.

Final payment on this contract shall release and discharge the Owner from any and all claims against the Owner on account of any work performed hereunder, or any alteration hereto.

The Vendor shall indemnify and hold harmless, the CITY and all of its officers, agents, and employees against all suits, claims or liabilities of every nature, arising out of, or in consequence of, the acts or omissions of the Vendor, its employees, agents, or sub-contractors in connection with their rendering of services or goods under this AGREEMENT and will, at the Vendor's own cost and expense, defend any and all such suits and actions

By signing this contract the Vendor agrees to subject any dispute to mediation, at the option of the City, prior to filing suit in any forum.

This contract shall be deemed to be a Massachusetts contract and its interpretation and construction shall be governed by the laws of Massachusetts and the Charter and Ordinances of the Owner.

The provisions of this contract are severable. If any provision of this contract shall be held unconstitutional by any court of competent jurisdiction, the decision of such court shall not affect any other provisions of this contract.

The City of Northampton is not bound by this contract until approved by the Mayor of Northampton.

Pursuant to M.G.L. Chapter 62C, Section 49A, I certify under the penalties of perjury that I have, to my best knowledge and belief, complied with the law of the Commonwealth relating to taxes, reporting of employees and contractors, and withholding and remitting child support. I further authorize the City of Northampton to deduct from the amounts due under this contract, any overdue taxes, real or personal, or any other fees due to the City of Northampton from the vendor which become due and payable by the vendor or its officers, directors or agents during the term of this contract or until the final amounts due under this contract are paid in full.

Check one: The vendor does ☐ not ☐ have a Northampton office.

IN WITNESS WHEREOF the Owner caused these presents to be signed in quadruplicate and approved by David Narkewicz its Mayor and the said Vendor has caused these presents to be signed in quadruplicate and its official seal to be hereto affixed by its officer or agent thereunto duly authorized (by the attached corporate resolution). This instrument shall take effect as a sealed instrument.

Vendor: Scanlon & Associate
Vendor

JM/ Scanlon V it's
Authorized Signatory

Managing Partner — 9/28/15
Title — Date

Certificate by Corporation to Sign Contract This form not applicable

At a duly authorized meeting of the Board of Directors of the _____
(Name of Corporation)

held on _____.
(Date)

At which all the Directors were present or waived notice, it was voted that, the Authorized Signatory of this company, be and he hereby is authorized to execute contracts and bonds in the name and behalf of said company, and affix its Corporate Seal thereto, and such execution of any contract or obligation in this company's name on its behalf by such officer under seal of the company, shall be valid and binding upon this company,

A TRUE COPY,

ATTEST: _____
(Clerk)

Place of Business _____

_____

Date of this Contract _____

CITY OF NORTHAMPTON:

BY: City Council
Northampton's Board or Commission

Jesse M. Adams
William H. Dwight
Alisa F. Klein
Marianne L. LaBarge
David A. Murphy
Ryan R. O'Donnell
Gina Louise Sciarra

Date

Date
Chief Proc. Officer, approved as to form and c. 30B compliance

Date 10-16-15
City Auditor, approved as to appropriation.

Date 10-19-15
Mayor David Narkewicz