

**TOWN OF CHAPEL HILL  
NORTH CAROLINA**

**SECTION I  
AUDIT PROPOSAL  
2017 – 2021**



**MARTIN ♦ STARNES  
& ASSOCIATES, CPAs, P.A.**

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*"A Professional Association of Certified Public Accountants and Management Consultants"*



# *Town of Chapel Hill*

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# *Town of Chapel Hill*

## *Executive Summary/Scope*

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**Firm Name:**

Martin Starnes & Associates, CPAs, P.A.  
730 13<sup>th</sup> Avenue Drive SE  
Hickory, NC 28602

**Request for Proposal – Auditing Services**

**Executive Summary/Scope:**

It is our understanding that we will be engaged to perform an audit of the financial statements for the Town of Chapel Hill, as required by auditing standards generally accepted in the United States of America. We will also audit the Town's compliance with the specific requirements of its major Federal and State programs under the guidelines of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act (as required) and its compliance with laws and regulations, and the design of its internal control system as required by generally accepted governmental auditing standards (GAGAS “Yellow Book”). Our audit opinion will include an “in relation to” paragraph specifically covering the Schedule of Expenditures of Federal and State Awards.

We will conduct the audit in a timely manner such that all necessary financial and compliance information for all funds is completed and the audit report, management letter, and other applicable reports are presented to the Finance Director in a timely manner as outlined in the RFP each engagement year. We will work with the Town of Chapel Hill to develop a mutually agreed-upon audit calendar that meets the completion dates requested. We will conduct periodic conferences during the audit as well as an exit conference prior to the completion of fieldwork. We will present the financial statements to the Town Council at a mutually agreed-upon time during each engagement year.

Our fees include technical assistance and guidance related to new note disclosures and GASB pronouncements during our audit relationship. The audit contract will conform to the North Carolina Local Government Commission (LGC) and be approved by the Secretary of the Commission or his designee prior to audit commencement. We will submit our invoices to the LGC for approval prior to submitting our invoices to the Town of Chapel Hill for payment.

Our proposal is a firm and irrevocable offer for three months after the delivery of the proposal.

Our firm is best qualified to perform the audit of the Town of Chapel Hill based on our:

- *Experience serving as the Town’s auditors for the past 9 years*
- *Experience in auditing governments in North Carolina*
- *Commitment to the governmental industry*
- *Availability to our clients throughout the year*
- *Record of providing non-traditional services to our governmental audit clients*
- *Commitment to continued education and training, specifically in the governmental arena*



# *Town of Chapel Hill*

## *Section I - Audit Proposal*

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### ❖ *REQUIREMENT I – TEAM ASSIGNED TO AUDIT*

Your audit team will consist of the following roles in varying degrees depending on the audit issues that arise during the engagement. We view each engagement as a client of the *firm*, not a client of a specific partner or manager; therefore, if expertise is needed from within the firm, it is utilized.

#### *Partners, Supervisors, and Staff*

Four to five members of our firm will conduct the audit engagement. Members to be assigned to the engagement are as follows:

***Engagement Partner*** – The Audit Partner’s role ends with signing the opinion letters and approving the issuance of the audited financial statements. It begins with the staff planning meeting, the client planning meeting, approving the assessment of risk in the engagement, and approving the audit plan. At our firm, the Partners are not figureheads! Since our auditors primarily serve governmental clients, the Partners are actively involved in the scheduling, staffing, and review of the audit engagement. The Partner will also have significant contact with the Town’s Finance Director should there be any concerns regarding the audit, findings that must be addressed, the service level of our staff, and conflicts of any kind. When a decision needs to be made, the client is one contact away from a decision maker.

An Audit Partner will perform the technical review of the audited financial statements. Since the Partners are not directly involved with the day-to-day audit procedures, this functions as an unbiased “forest for the trees” review of the report. Unusual relationships and fluctuations are sometimes overlooked by the team members directly involved in the engagement due to the magnitude of data they must analyze. The Audit Partners are charged with the responsibility of pre-issuance review, GFOA compliance, and LGC compliance.

***Audit Manager*** – The Manager’s role is to manage every aspect of the engagement which includes: supervising the staff, staying in close contact with the client, monitoring the time budget, monitoring compliance with “on-time” delivery, and resolving differences of opinion within our staff and between our team and the unit. The Audit Managers review our audit workpapers and agree the financial statements to the workpapers. The Town will know the face and voice of the Audit Manager as he/she will be intricately involved in the day-to-day management of the client relationship and the audit process.

***Senior Accountant (1)*** – The Senior is responsible for conducting the audit from scheduling fieldwork to delivery of the audit opinions. They are also responsible for the first review of the audit workpapers and supervising the staff. The Senior will work directly with your Finance Department personnel.

***Staff Accountant (1-2)*** – Our staff accountants are all full-time employees and perform the support function of the engagement. Each of our staff accountants is dedicated to our governmental auditing niche, and staff are trained from the moment we hire them regarding Yellow Book standards, GASB standards, and our governmental audit approach.

We have not submitted specific names for your proposed audit team for two reasons: (1) the quality of our staff is interchangeable at each level, and (2) we will design the remainder of the audit team based on our mutual schedules and our evaluation of the “best fit” for your staff and your engagement complexities. The resumes of our Audit Partners and Managers are at Attachment B.



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### *Continuity Is King*

Typically, there are at least three people in our firm that are keenly aware of the operations of any one particular client (a Partner, a Senior Manager or Audit Manager, and a Senior Accountant). This structure ensures the Town continuity of key staff. An unexpected illness or departure from the firm of any one member does not affect the engagement continuity you will come to expect from Martin Starnes & Associates. Also, a wider breadth of people working on the Town's audit offers a wider perspective from which to draw audit conclusions and offer suggestions for improvement. Over 85% of our audit hours are spent serving local governments in North Carolina. We understand the importance of staff continuity; and since we primarily serve one industry, we do not suffer from having two "busy seasons".

We experience low turnover of our professional staff compared to the public accounting industry, locally and nationally. We are proud to be recognized in the "*Best Firms to Work for 2014*" for mid-sized firms by *Accounting Today*. We have been recognized as a "Best Firm to Work For" in 2008, 2009, 2010, 2012, 2013 and 2014. We were recognized as one of *North Carolina's Best Employers* in 2015 and 2014 as well as recognition by *When Work Works* and *WellBusiness Awards* in 2015 and 2016.

### ❖ *REQUIREMENTS 2 AND 9 – EXPERIENCE AND REFERENCES*

Please see Attachment A for a listing of our current audit references of North Carolina counties and municipalities, as well as a listing of prior governmental client references. For the fiscal year ending June 30, 2016, we audited 34 counties, 40 municipalities, and numerous other governmental agencies (110 total governmental units). We have over **1,000 years** of continuous service with our current clients. We are able to maintain our audit relationships by great service, expertise in the governmental accounting field, low turnover of our staff, internal rotation of staff assigned to continuing engagements, and exceptional value-based fees. Since 1992, our firm has lost very few engagements relative to our governmental audit practice size.

We are proud of our experience with reports receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting. For certificates issued in 2015 (for fiscal years ending June 30, 2014), in North Carolina (the most recent statistics available), there were 55 counties and 86 municipalities that received the Certificate of Excellence from the GFOA. Of these 141 units receiving the "certificate", we audited 33 (or 23%) in 2014. Since 1992, 100% of our clients that have submitted their reports to the GFOA have received the Certificate of Excellence. Please see our list of references for our CAFR clients.

In addition, we have an impeccable relationship and reputation with the Local Government Commission and the UNC School of Government and encourage you to contact Sharon Edmundson or Jim Burke at the LGC, or Greg Allison at the School of Government, to verify our reputation.



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### *Experience with the GASB 34 Reporting Model*

All of our seniors, managers, and audit partners are well-versed in the nuances and requirements of the reporting requirements of GASB 34. We developed an internal “GASB 34 worksheet” which we think is much more user friendly than the LGC’s version. We authored and taught a course, “Nuts and Bolts of GASB 34,” during the implementation period of the new standard. We have extensively trained our staff on the practical implications of this reporting model. All of our seniors and managers serve clients who engage our firm to draft their financial statements; therefore, all of our supervisory level staff has significant amounts of experience with GASB 34.

### *❖ REQUIREMENT 3 – ADDITIONAL SERVICES*

Martin Starnes & Associates, CPAs, P.A. has been serving clients since 1987. We provide auditing services throughout North Carolina. Our services include: annual audits, cost reporting, preparation of various financial reports required by the Office of Management and Budget and the Local Government Commission, mid-year reviews of financial condition, agreed-upon procedure engagements over specific financial and control functions, and facilitating training, when needed, on new GASB pronouncements. We also assist clients with cleaning GFOA prior year comments and verify that those items are corrected. We have been conducting Single Audits and Yellow Book Audits since 1992.

Our firm is equipped to provide management consulting services and additional services to our governmental audit clients as needed.

Please see our management consulting and additional services provided to clients at Attachment A.

### *❖ REQUIREMENT 4 – FIRM QUALITY STANDARDS/PEER REVIEW*

Our professionals are members of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. Our firm participates in the Quality Review Program sponsored by the American Institute of Certified Public Accountants. Membership in the division requires that we be subjected to a peer review by an independent CPA firm. Such a review assures that the services our clients receive meet the highest standards of the accounting profession. Due to the large number of governmental audits our firm performs, we have numerous governmental clients reviewed during each of our quality reviews. We received an unqualified opinion (pass) with no letter of comments, which is the best review result issued since our first peer review in 1993 and includes our most recent in 2014. See the copy of our most recent peer review letter at Attachment C.

We have had several engagements submitted for desk review by a cognizant agency, and the reports were approved without any exceptions or modifications.



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***AICPA Governmental Audit Quality Center*** – The AICPA has developed the Governmental Audit Quality Center (GAQC). It is a voluntary membership Center designed to help CPAs meet the challenges of performing quality governmental audits. Martin Starnes & Associates, CPAs, P.A. was a charter member of the Center. Our membership in the Center has improved our audit quality through improved training and membership accountability. The GAQC’s primary purpose is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. We strive for excellence in the governmental audit industry, and membership in the Center is an example of our efforts to “stay ahead of the curve” in the industry.

### ***❖ REQUIREMENT 5 – PROFESSIONAL EXPERIENCE***

As the Town evaluates the qualifications and experience of Martin Starnes & Associates and compares us to other firms, we would like to remind the Town of the unique composition of our firm’s audit practice. Our audit practice is comprised of over 85% government auditing hours; therefore, a year of experience with MSA is the equivalent to 2-3 years with the typical firm. Why? The typical auditing firm audits clients from a variety of industries and with a variety of risks and reporting issues, one of which is governments. At MSA, our staff is working on a government, completing a government, planning for a government, or training for a government 85 of every 100 hours they work. What does this mean to the Town of Chapel Hill? It means excellence, timeliness, quality at all levels of work, efficient design of procedures, effective evaluation of results, minimal staff turnover, and the highest quality of audit work with the most cost effective fee.

As mentioned previously, we have not submitted specific names for your proposed audit team. We will design the audit team based on our mutual schedules and our evaluation of the “best fit” for your staff and your engagement complexities. Until the audit team is assigned, your primary contact is Paula Hodges, Audit Partner. Once the team is assembled, the Audit Manager and the Audit Senior will be your contacts. We understand the importance of our staff understanding your business. This is accomplished through training, supervision, and continuity.

Please see Attachment B for the resumes of our audit partners and managers, including recent client experience.

The Senior Accountant will be on site 100% of the time, with the Manager on site approximately 50% of the time, and the Audit Partner on site approximately 5% of the time. An Audit Partner will provide technical review of the financial statements.

### ***Experience with Federal and State Single Audit Acts, including “Yellow Book”***

Martin Starnes & Associates has been conducting Single Audits and Yellow Book audits since 1992. We began with one municipal audit and have grown the practice to one of the largest government auditing practices in North Carolina. Virtually all of our government clients are subject to the generally accepted government auditing standards contained in the “Yellow Book.” Over 70% of our government audit hours in 2016 were on engagements under the provisions of the Federal and State Single Audit Acts.





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### ❖ *REQUIREMENT 6 – EDUCATION*

Staff quality is assured by our commitment to continuing education in the field of governmental accounting. All of our professional staff receives a minimum of 40 hours per year in continuing education. Governmental audit staff members average 32 hours **per year in governmental auditing and accounting seminars**. We receive our training from the NCGFOA, Institute of Government at UNC-Chapel Hill, NCACPA, self-study courses from the AICPA or other recognized vendors, and in-house developed training. We attend the State Treasurer's Conference and the Local Government Conference annually. In addition, our Audit Partners and Managers attend NCGFOA conferences annually.

We develop in-house training courses that are government industry specific as well as training on all new audit pronouncements, FASB, and GASB pronouncements. The Audit Partners and the Audit Managers keep the professional staff apprised of all exposure drafts and prepare responses as deemed necessary.

We did not include a list of all the classes attended in the prior years, as the list is lengthy. However, if you would like a sample, please contact us, and we will be glad to provide it.

Please see information on the educational background of our audit partners and managers in the resumes at Attachment B.

### ❖ *REQUIREMENT 7 – RELEVANT PROFESSIONAL EXPERIENCE*

Each of our senior accountants, audit managers, and audit partners have extensive experience in auditing governmental organizations, programs, activities, and functions that are relevant to the Town, including transit, housing, stormwater, and grant compliance. In addition, our firm has 9 years of experience auditing the Town of Chapel Hill. Our ability to maintain our client relationships for a long period of time enables our staff to work on a breadth and depth of governmental clients with varying fund structures and complexities.

### ❖ *REQUIREMENT 8 – SPECIALIZED SKILLS*

Paula Hodges, Marcie Spivey, and Erica Brown, Audit Partners, have been reviewers for the GFOA Certificate of Achievement for Excellence in Financial Reporting Program for many years. Paula and Marcie also serve on the Government Audit and Accounting Task Force of the NCACPA and the NCGFOA.

Our firm has supported and participated in the following governmental associations:

- **NC Government Finance Officers' Association (GFOA)** – sponsor and attend both semi-annual meetings annually and have been a speaker on numerous occasions at the conferences
- **National GFOA** – sponsor and allow Audit Partners to volunteer time to review CAFRs for Certificate of Excellence Program
- **NC City and County Management Association** – exhibitor and sponsor
- **NC League of Municipalities** – exhibitor and sponsor
- **NC Association of County Commissioners** – associate member and sponsor

The governmental industry has been good to Martin Starnes & Associates, and we are committed to supporting the industry any way we can.





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### ❖ ***REQUIREMENT 10 – INDEPENDENCE***

The firm monitors compliance with professional independence standards in accordance with the firm's quality control document (see Attachment C). This document requires all employees to notify management of any potential independence violations and to review the client list annually for possible independence violations. The firm's independence policy also requires a determination of independence for each new and recurring audit client as a part of the audit planning stage.

In all matters relating to the audit of the Town of Chapel Hill, North Carolina, Martin Starnes & Associates, CPAs, P.A. is independent, in fact and appearance.

### ❖ ***REQUIREMENT 11 – PROFESSIONAL LIABILITY INSURANCE***

We presently carry professional liability insurance with Continental Insurance. Our policy limits are \$3,000,000 per claim and \$3,000,000 in the aggregate.

### ❖ ***REQUIREMENT 12 – REGULATORY ACTION***

There has never been any regulatory action taken by an oversight body against our firm. Our firm is not currently involved in litigation of any kind.

***ATTACHMENT A***

(References and Additional Services Provided)

## Current References

Our firm is currently performing audits for the following municipalities:

<u>Municipality</u>	<u>Client Contact</u>	<u>E-Mail Address</u>	<u>Address</u>	<u>Phone</u>	<u>Years Served</u>	<u>GFOA Certificate Report</u>
City of Havelock	Ms. Lee Tillman	ltillman@havelocknc.us	1 Governmental Avenue, Havelock, NC 28532	(252) 444-6403	18	**
City of Hickory	Ms. Melissa Miller	mmiller@hickorync.gov	76 N. Center Street, Hickory, NC 28601	(828) 323-7417	8	**
City of Lexington	Mr. John Overton	jmoverton@lexingtonnc.gov	28 West Center Street, Lexington, NC 27292	(336) 248-3925	17	**
City of Monroe	Ms. Lisa Strickland	lstrickland@monroenc.org	300 West Crowell Street, Monroe, NC 28112	(704) 282-4500	3	**
City of Thomasville	Mr. Tony Jarrett	tony.jarrett@thomasville-nc.gov	10 Salem Street, Thomasville, NC 27360	(336) 475-4233	10	
City of Washington	Ms. Tammy Swindell	tswindell@washingtonnc.gov	102 East Second Street, Washington, NC 27889	(252) 975-9301	11	**
Town of Cornelius	Ms. Julie Niswonger	jniswonger@cornelius.org	PO Box 399, Cornelius, NC 28031	(704) 892-6031	7	**
Town of Garner	Ms. Pat Wortham	pwortham@garnernc.gov	900 7th Avenue, Garner, NC 27529	(919) 773-4408	3	**
Town of Granite Falls	Ms. Marsha Harbison	harbison@granitefallsncc.com	30 Park Square, Granite Falls, NC 28630	(828) 396-3131	20	
Town of Harrisburg	Mr. Lee Connor, Jr.	lconnor@harrisburgnc.org	PO Box 100, Harrisburg, NC 28075	(704)455-5614	6	
Town of Maggie Valley	Ms. Shayne Wheeler	wheelerfinance@charter.net	3987 Soco Road, Maggie Valley, NC 28751	(828) 926-0866	9	**
Town of Matthews	Mr. Christopher Tucker	ctucker@matthewsnc.gov	232 Matthews Street Station, Matthews, NC 28105	(704) 847-4411	10	**
Town of Nags Head	Ms. Amy Miller	amy.miller@nagsheadnc.gov	5401 South Croatan Highway, Nags Head, NC 27959	(252) 449-2020	2	
Town of Pineville	Mr. Richard Dixon	rdixon@pinevilledsl.net	PO Box 249, Pineville, NC 28134	(704) 889-1722	7	

## Current References

Our firm is currently performing audits for the following counties:

<u>County</u>	<u>Client Contact</u>	<u>E-Mail Address</u>	<u>Address</u>	<u>Phone</u>	<u>Years Served</u>	<u>GFOA Certificate Report</u>
Alexander County	Ms. Jennifer Herman	jherman@alexandercountync.gov	621 Liledoun Road, Taylorsville, NC 28681	(828) 632-4591	22	
Brunswick County	Ms. Julie Miller	julie.miller@brunswickcountync.gov	PO Box 249, Bolivia, NC 28422	(910) 253-2070	13	**
Cabarrus County	Ms. Susan Fearington	SBFearington@cabarruscounty.us	65 Church Street SE, Concord, NC 28025	(704) 920-2894	8	**
Caldwell County	Mr. Tony Helton	thelton@caldwellcountync.org	905 West Avenue NW, Lenoir, NC 28645	(828) 757-1302	10	**
Catawba County	Ms. Jeanne Jarrett	jjarrett@catawbacountync.gov	100-A Southwest Blvd, Newton, NC 28658	(828) 465-8219	16	**
Cleveland County	Mr. Brian Epley	brian.epley@clevelandcounty.com	311 East Marion Street, Shelby, NC 28151	(704) 484-4808	13	
Davidson County	Ms. Jane Kiker	jane.kiker@davidsoncountync.gov	PO Box 1067, Lexington, NC 27293	(336) 242-2029	12	**
Davie County	Ms. Robin West	rwest@daviecountync.gov	123 South Main Street, Mocksville, NC 27028	(336) 753-6020	9	
Harnett County	Ms. Kimberly Honeycutt	khoneycutt@harnett.org	PO Box 760, Lillington, NC 27546	(910) 893-7557	7	**
Henderson County	Mr. Carey McLelland	carey@hendersoncountync.org	113 North Main Street, Hendersonville, NC 28793	(828) 697-4821	10	**
Lincoln County	Ms. Deanna Rios	drios@lincolncounty.org	115 West Main Street, Lincolnton, NC 28092	(704) 736-8487	13	**
Macon County	Ms. Lori Hall	lhall@maconnc.org	5 West Main Street, Franklin, NC 28734	(828) 349-2000	17	**
Moore County	Ms. Caroline Xiong	cxiong@moorecountync.gov	PO Box 905, Carthage, NC 28327	(910) 947-7119	8	**
Surry County	Mr. Sarah Bowen	bowens@co.surry.nc.us	118 Hamby Road, Suite 333, Dobson, NC 27017	(336) 401-8250	18	**
Wilkes County	Mr. Jerry Shepherd	jshepherd@wilkescounty.net	110 North Street, Wilkesboro, NC 28697	(336) 651-7315	9	
Wilson County	Ms. Tiffany Reese	treese@wilson-co.com	2201 Miller Road South, Wilson, NC 27893	(252) 399-2950	4	**

**Prior References**

Our firm previously performed audits for the following governmental units:

<b>Prior Client</b>	<b>Contact</b>	<b>E-Mail Address</b>	<b>Address</b>	<b>Phone</b>	<b>Years Served</b>
Appalachian District Health Department	Ms. Angie Scott	angie.scott@apphealth.com	PO Box 309, Sparta, NC 28675	(336) 372-8813	13
Beaufort County	Ms. Anita Radcliffe	anita.radcliffe@co.beaufort.nc.us	121 W. 3rd St., Washington, NC 27889	(252) 946-0079	3
Lee County	Ms. Lisa Minter	lminter@leecountync.gov	106 Hillcrest Drive, Sanford, NC 27331	(919) 718-4600	10
Town of Holden Beach	Mr. David Hewett	david.hewett@hbtownhall.com	110 Rothschild Street, Holden Beach, NC 28462	(910) 842-6488	5
Water & Sewer Authority of Cabarrus County	Mr. Michael Wilson	mwilson@wsacc.org	PO Box 428, Concord, NC 28027	(704) 786-1783	6
Western Piedmont Regional Transit Authority	Mr. Jeff Blalock	jblalock@wprta.org	1515 4th Street SW, Conover, NC 28613	(828) 632-1112	3

## **Additional Services Provided To Governmental Clients**

In addition to the client services listed below, in 2015, we also performed 37 agreed-upon procedures engagements as required by the Office of the State Auditor related to County eligibility processes over certain major programs.

### **Pitt County:**

Conducted "Agreed Upon Procedures" internal audit engagement on various departments (2 years).  
Assisted client with internal audit function on an annual basis (2 years).  
Performed a working capital analysis of local ABC Board to determine ability of local Board to increase distributions to the County (1 year).  
Performed "Agreed Upon Procedures" for ancillary units (14 years).

### **City of Lexington:**

Conducted "Agreed Upon Procedures" engagement on central warehouse inventory procedures (2 years).  
Taught a 4-hour seminar on the implementation issues related to GASB 34.

### **Alexander County:**

Conducted "Agreed Upon Procedures" engagement on Landfill and Convenience Centers (1 year).  
Assisted finance department with monthly closing process during extended illness of Finance Officer (1 year).  
Performed mid-year review of financial condition and recommended a plan of action to address budget shortfalls (1 year).

### **Surry County:**

Taught a leadership training course (1 year).  
Assisted client with posting all property tax revenues for entire year after data conversion from old accounting system failed (2 years).  
Conducted "Agreed Upon Procedures" internal audit engagement on various departments (1 year).  
Performed "Agreed Upon Procedures" for ancillary units (14 years).

### **Macon County:**

Assisted client with bank reconciliation problems and fixed asset conversion (2 years).

### **Northampton County:**

Performed mid-year review of financial condition and recommended a plan of action to address budget shortfalls (10 years).

### **Catawba County:**

Performed "Agreed Upon Procedures" for ancillary units (11 years).

### **Brunswick County:**

Assisted client with implementation of new audit software (1 year).

### **Harnett County:**

Conducted "Agreed Upon Procedures" engagement related to capital assets (1 year).

### **Lincoln County:**

Conducted "Agreed Upon Procedures" engagement on Register of Deeds' procedures (1 year).

### **Cleveland County Board of Education:**

Conducted "Agreed Upon Procedures" engagement on credit card transactions (1 year).

**Additional Services Provided To Governmental Clients (continued)**

We have prepared the AFIR for submission to the Local Government Commission for the following clients:

Caldwell County	8 years
Chowan County	6 years
City of Gastonia	13 years
City of Hickory	5 years
City of Kings Mountain	6 years
City of Kinston	4 years
City of Lexington	4 years
City of Mount Holly	6 years
City of Shelby	6 years
Gates County	6 years
Halifax County	13 years
Harnett County	4 years
Hoke County	4 years
Lincoln County	3 years
Macon County	14 years
Nash County	10 years
Pitt County	15 years
Rockingham County	5 years
Stanly County	6 years
Swain County	3 years
Town of Franklin	2 years
Town of Newport	7 years
Town of Pine Knoll Shores	6 years
Town of Pineville	5 years
Town of Taylorsville	23 years
Town of Wrightsville Beach	5 years
Wilkes County	7 years
Wilson County	3 years
Yadkin County	5 years

We have been asked on numerous occasions to perform agreed-upon procedures engagements, in-depth internal control reviews, and litigation support procedures for various sundry purposes. Our twelve-months-a-year service model allows us to assist you in virtually any manner you may request as long as our independence standards are met.

As you can see, we are more than the firm who provides your annual audit report; we are your financial consultants year-round.



***ATTACHMENT B***  
(Resumes of Senior Audit Staff)

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Paula Hodges, Audit Partner*

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<b>Years in Public Accounting:</b>	25
<b>Years with Current Firm:</b>	18
<b>Education Background:</b>	North Carolina State University Bachelor of Arts in Accounting  Certified Public Accountant in North Carolina
<b>Continuing Education:</b>	Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing
<b>Specialized Training and Other Information:</b>	Member of the Special Review Committee of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program  Member of the NCACPA Government Auditing and Accounting Committee  Speaker at the North Carolina Government Finance Officers Association conferences  Member of the AICPA and NCACPA  Graduate of Leadership Catawba
<b>Work Experience:</b>	Paula was named Audit Partner in 2011.  Served as Audit Director on all of our governmental audit engagements from 2002-2010  Technical review responsibility for government audit clients  Served as an Audit Senior on counties, municipalities, and public authorities prior to assuming management responsibility in 2002

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Marcie Spivey, Audit Partner*

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<b>Years in Public Accounting:</b>	21
<b>Years with Current Firm:</b>	21
<b>Education Background:</b>	Lenoir-Rhyne College Bachelor of Arts in Accounting  Certified Public Accountant in North Carolina
<b>Continuing Education:</b>	Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing
<b>Specialized Training and Other Information:</b>	Member of the Special Review Committee of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program  Member of the NCACPA Government Auditing and Accounting Committee  Member of the Executive Board of Directors of the Women's Resource Center  Actively involved in Catawba County Chamber of Commerce  Member of the AICPA and NCACPA
<b>Work Experience:</b>	Marcie was promoted to Audit Partner in 2013.  Served as Audit Director for 50% of our governmental audit engagements from 2011-2012  Technical review responsibility for government audit clients  Served as Audit Manager from 2005-2010 with management responsibility for approximately half of our audit clients  Responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of workpapers.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Erica Brown, Audit Partner*

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<b>Years in Public Accounting:</b>	16
<b>Years with Current Firm:</b>	10
<b>Education Background:</b>	Salisbury University Bachelor of Science in Business Administration in Accounting, Magna Cum Laude  Certified Public Accountant in North Carolina
<b>Continuing Education:</b>	Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing
<b>Specialized Training and Other Information:</b>	Member of the Special Review Committee of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program  Member of the AICPA and NCACPA  Previous NCACPA Young CPA Cabinet Member  Graduate of Leadership Catawba
<b>Work Experience:</b>	Erica was named Audit Partner in 2017.  Served as Senior Audit Manager on several counties and municipalities from 2007-2016  Technical review responsibility for government audit clients  Additional responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of workpapers.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Amber McGhinnis, Senior Audit Manager*

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<b>Years in Public Accounting:</b>	15
<b>Years with Current Firm:</b>	15
<b>Education Background:</b>	Appalachian State University Bachelor of Science in Business Administration in Accounting, Magna Cum Laude Master of Science in Accounting  Certified Public Accountant in North Carolina
<b>Continuing Education:</b>	Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing
<b>Specialized Training and Other Information:</b>	Member of the AICPA and NCACPA
<b>Work Experience:</b>	Amber currently serves as the project manager for our audit department.  Technical review responsibility for government audit clients  Additional responsibilities include oversight of audit seniors, staff accountants, and pre-issuance review of financial statements.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Ko Tang Cha-Moses, Audit Manager*

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**Years in Public Accounting:** 10

**Years with Current Firm:** 9

**Education Background:** Gardner-Webb University  
Bachelor of Science in Accounting  
Masters of Accountancy

Certified Public Accountant in North Carolina

**Continuing Education:** Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing

**Specialized Training and Other Information:** Member of the AICPA and NCACPA

**Work Experience:** Ko Tang is currently the Audit Manager for several counties and municipalities, in addition to a few non-profit entities.

Responsibilities include oversight of audit seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

<u>Client Name</u>	<u>Position Held</u>	<u>Years Served</u>
City of Mount Holly	Audit Manager	6
City of Newton	Audit Manager	5
Davidson County	Audit Manager	4
Hoke County	Audit Manager	5
Macon County	Audit Manager	6
Rowan County	Audit Manager	2
Swain County	Audit Manager	2

Please contact us if you would like to see a list of additional prior client experience.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Matt Braswell, Audit Manager*

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**Years in Public Accounting:** 9

**Years with Current Firm:** 9

**Education Background:** Montreat College  
Bachelor of Science in Business Administration  
Concentration in Accounting, Magna Cum Laude  
  
Certified Public Accountant in North Carolina

**Continuing Education:** Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing

**Specialized Training and Other Information:** Member of the AICPA and NCACPA

**Work Experience:** Matt is currently the Audit Manager for several counties and municipalities, as well as several non-profit organizations.  
  
Responsibilities include oversight of audit seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

<u>Client Name</u>	<u>Position Held</u>	<u>Years Served</u>
Alleghany County	Audit Manager	2
Caldwell County	Audit Manager	5
Chowan County	Audit Manager	7
City of Gastonia	Audit Manager	4
City of Rocky Mount	Audit Manager	2
City of Thomasville	Audit Manager	7
Harnett County	Audit Manager	3

Please contact us if you would like to see a list of additional prior client experience.



# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Kari Dunlap, Audit Manager*

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**Years in Public Accounting:** 5

**Years in Accounting Industry:** 3

**Years with Current Firm:** 5

**Education Background:** UNC Chapel Hill  
Bachelor of Science in Management and Sociology  
Master of Science in Accounting

Certified Public Accountant in North Carolina

**Continuing Education:** Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing

**Specialized Training and Other Information:**

Member of the AICPA and NCACPA

NCACPA Young CPA Cabinet Member

**Work Experience:**

Kari is currently the Audit Manager for several counties and municipalities, as well as a few for-profit and non-profit organizations.

Responsibilities include oversight of audit seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

<u>Client Name</u>	<u>Position Held</u>	<u>Years Served</u>
City of Kannapolis	Senior Accountant	2
Nash County	Senior Accountant	2
Swain County	Senior Accountant	1
Town of Harrisburg	Senior Accountant	2
Transylvania County	Senior Accountant	2

Please contact us if you would like to see a list of additional prior client experience.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Elsa Watts, Audit Manager*

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**Years in Public Accounting:** 6

**Years with Current Firm:** 6

**Education Background:** East Carolina University  
Bachelor of Science in Accounting,  
Magna Cum Laude  
Master of Science in Accounting

Certified Public Accountant in North Carolina

**Continuing Education:** Minimum of 40 hours per year with an average of 32 hours in governmental accounting and auditing

**Specialized Training and Other Information:** Member of the NCACPA

**Work Experience:** Elsa is currently the Audit Manager for several counties and municipalities.

Responsibilities include oversight of audit seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

<u>Client Name</u>	<u>Position Held</u>	<u>Years Served</u>
Catawba County	Senior Accountant	4
City of Lexington	Senior Accountant	3
City of Monroe	Senior Accountant	3
City of Thomasville	Senior Accountant	4
Lincoln County	Senior Accountant	3
Town of Garner	Senior Accountant	3
Wilson County	Senior Accountant	3

Please contact us if you would like to see a list of additional prior client experience.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## *Michael Edwards, Audit Manager*

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**Years in Public Accounting:** 13

**Years with Current Firm:** 5

**Education Background:** Appalachian State University  
Bachelor of Science in Business Administration in Accounting,  
Magna Cum Laude  
Master of Science in Accounting

Certified Public Accountant in North Carolina

**Continuing Education:** Minimum of 40 hours per year

**Specialized Training and  
Other Information:** Member of the AICPA and NCACPA

**Work Experience:** Michael is currently the Audit Manager for several for-profit, non-profit, and governmental organizations. He has 12 years of experience within manufacturing, distribution, retail and non-profit sectors.

Additional responsibilities include oversight of audit seniors, staff accountants, and technical review of workpapers.

***ATTACHMENT C***

(Independence Document and Peer Review Letter)

## **Martin Starnes & Associates, CPAs, P.A.**

### **Statement of Policies and Procedures**

#### **INDEPENDENCE**

It is the policy of our firm that all employees be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA and NC State Board of CPA Examiners. In this regard, any transaction, event, or circumstance that would impair the firm's independence on compilation, review, audit, forecast, projection, or attestation engagements is prohibited. Although not necessarily inclusive of all transactions or events that may impair our firm's independence, the following are considered to be prohibited transactions:

- Investments by any employee in a client's business
- Investments by any employee with a client, or with client personnel
- Borrowing from or loans to a client, or client's personnel
- Accepting cash or gifts from a client (with the exception of non-cash token Christmas gifts of nominal value)
- Certain family relationships between employees and client personnel  
(Consult the partners for more details on this rule.)

Notwithstanding the preceding policy and list of prohibited transactions, at the partner's discretion, certain prohibitions can be waived if it is to be in the best interest of the firm. However, in so doing, the engagement service performed for the client must be limited to that allowed by the **AICPA professional** literature for non-independent situations.

The procedures listed below should be followed to ensure compliance with this policy:

All employees are required to sign a representation letter when hired (and annually thereafter) that acknowledges their familiarity with the firm's independence policies and procedures.

All employees are required to notify a partner of any potential violation of a prohibited transaction or independence rule as soon as they become aware of such a situation. To acknowledge that responsibility, all employees are required when hired (and annually thereafter) to sign a representation letter and to list situations they know of that could impair our firm's independence. The firm's library contains the authoritative rules on independence that govern the firm. (That literature and the advice of the partners should be consulted when an employee is not sure if a transaction, event, or circumstance impairs our firm's independence.)

All employees are required to review the firm's client list annually for possible independence violations. A list of new clients is provided periodically throughout the year and is communicated to each employee on a timely basis. Any independence violations should be communicated to the partners on a timely basis. When hired and annually, all employees are required to sign a representation that confirms this responsibility.

## **Martin Starnes & Associates, CPAs, P.A.**

### **Statement of Policies and Procedures**

#### **INDEPENDENCE (continued)**

If our firm is engaged as principal auditor and another firm is engaged by our firm to examine a subsidiary, branch, division, governmental unit, or to perform procedures on an element or account grouping with a client's financial statement, the engagement team is required to obtain a representation regarding the other firm's independence with respect to our client. The auditing manuals used by the other firm contain examples of representation letters that may be used in such situations; however, they are not required to be in writing or in the form prescribed by the audit manuals of this firm. Furthermore, in a compilation, review, forecast, projection, or attestation engagement, if another firm performs work on a segment of the engagement, a representation (either written or oral) regarding the other firm's independence is required. The engagement programs in the accounting and auditing manuals used by our firm contain steps to ensure compliance with this procedure.

The partner or the in-charge accountant under the direct supervision of the partner has the primary responsibility for determining if there are significant unpaid fees on any of his clients that would impair the firm's independence. The engagement work program used by the firm contains program steps to ensure compliance with this procedure. The firm's client accounts receivable listing and the partner's knowledge of any unbilled fees should be considered in making this determination. In addition, the partners have the secondary responsibility to review the firm's accounts receivable listing on a periodic basis to identify potential independence problems.

The partners are responsible for resolving questions relating to the independence matters and are available to provide guidance. In so doing, the partners should, when necessary, consult the AICPA or the NC State Board of CPA Examiners for assistance in interpreting independence rules. Documentation of the resolution of an independence matter should be filed in the client's permanent workpapers.

To ensure that our firm's independence policy and procedures are properly considered at the engagement level, the work programs in the accounting and auditing manuals used by the firm contain steps that require a determination of independence on each new and recurring client. Furthermore, these manuals contain reporting guidance for those types of engagements where a lack of independence is allowed.

To monitor compliance with our firm's policy and procedures on independence, representation letters are obtained when an employee is hired, and annually thereafter, and are routed to the managing partner for his review. During our firm's annual quality control inspection program, a sample of employee personnel files will be reviewed to determine that a current independence representation is on file. Also during this inspection, a sample of engagements will be reviewed to determine compliance at the engagement level with our firm's independence policy.



## SYSTEM REVIEW REPORT

To the Partners of Martin Starnes & Associates, CPAs, P.A.  
and the Peer Review Committee of the North Carolina Association  
of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Martin Starnes & Associates, CPAs, P.A. (the firm) in effect for the year ended December 31, 2014. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Martin Starnes & Associates, CPAs, P.A. in effect for the year ended December 31, 2014, 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*. Martin Starnes & Associates, CPAs, P.A. has received a peer review rating of *pass*.

*Koonce, Wooten & Haywood, LLP*

Koonce, Wooten & Haywood, LLP

May 21, 2015

**Raleigh**  
4060 Barrett Drive  
Post Office Box 17806  
Raleigh, North Carolina 27619  
919 782 9265  
919 783 8937 FAX

**Durham**  
3511 Shannon Road  
Suite 100  
Durham, North Carolina 27707  
919 354 2584  
919 489 8183 FAX 24

**Pittsboro**  
10 Sanford Road  
Post Office Box 1399  
Pittsboro, North Carolina 27312  
919 542 6000  
919 542 5764 FAX



**TOWN OF CHAPEL HILL  
NORTH CAROLINA**

**SECTION II  
COST ESTIMATE  
2017 – 2021**



**MARTIN ♦ STARNES  
& ASSOCIATES, CPAs, P.A.**

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*"A Professional Association of Certified Public Accountants and Management Consultants"*



# *Town of Chapel Hill*

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# *Town of Chapel Hill*

## *Section II – Cost Estimate*

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### ❖ **REQUIREMENT 1 – AUDIT PROGRAMS**

We use an intuitive audit software, developed by CCH, a Wolters Kluwer subsidiary, an industry leader in accounting and tax software. The program is called “*Knowledge Coach*” and is integrated into CCH’s “*Knowledge Based Audit Approach*”. Knowledge Coach is the only integrated audit planning, risk assessment, and audit program workflow and management system that has been approved by the AICPA’s National Peer Review Committee. Please see the following excerpt from a press release about Knowledge Coach:

*“Developed from the ground up by auditors, for auditors, ProSystem fx Knowledge Coach combines the industry-specific content and guidance of ProSystem fx Knowledge Tools with a dynamic audit workflow engine that dramatically streamlines the audit planning process and helps users efficiently manage an audit from beginning to end.*

*“Peer review is an important milestone for Knowledge Coach, because it confirms that not only is our content compliant with AICPA risk-based audit standards, but our processes for developing, presenting and utilizing this content in the Knowledge Coach application maintains and enhances this compliance,” said CCH Product Manager Mike Ritchie. “Knowledge Coach is **the first product of its kind** – making the same kind of breakthrough in the audit realm that the first computer-based programs did for tax. As a result, we wanted to have it subjected to peer review, and we’re very gratified that it has been validated through that process,” Ritchie said.*

After we have completed the planning, risk assessment, and internal control portion of the engagement, Knowledge Coach will intuitively guide the substantive portion of the audit through suggested audit steps. This process will eliminate unnecessary procedures due to SALY (same as last year) and highlight audit areas that, based on our planning and risk assessment, require and deserve the brunt of our audit effort. Our approach is a combination of a balance sheet approach, substantive analytic review, and detail testing of specific general ledger accounts. Our substantive analytic review procedures are designed specifically for the Town of Chapel Hill and are approved by the senior management of the engagement during the planning stages of the audit. Every procedure we perform will have a specific purpose and audit objective in mind.

### ❖ **REQUIREMENT 2 – STATISTICAL SAMPLING**

We do not use statistical sampling in our audit approach. Our audit approach uses judgmental sampling in order to test the contents of the audit area rather than the attributes of the audit area. We obtain our audit assurance from a combination of detail testing (sampling) and analytic review. Detail testing (sampling) is the process of testing 100% of all individually significant items based on materiality and risk assessment and then evaluate the remaining population to determine whether the sample is sufficient or additional transactions need to be tested to fulfill the sample requirement based on our risk assessment. Analytic review is the process of comparing our expectations of a particular audit area to the actual results and analyzing the differences. We believe this approach is more effective in detecting material errors and is less time consuming on our staff and the governmental unit's staff.



# *Town of Chapel Hill*

## *Section II – Cost Estimate*

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### ❖ *REQUIREMENT 3 – COMPUTER AUDIT SPECIALISTS*

Our Technology Manager is available to either conduct the Town’s MIS controls assessment or review the assessment performed by our Senior Accountant. Our audit process includes documenting our understanding of the internal control systems, including the computer system’s controls, assessing risk, and identifying potential security issues that would have a direct and material impact on the financial statements taken as a whole. Our staff is qualified to analyze the computer controls and make any necessary recommendations.

### ❖ *REQUIREMENT 4 – AUDIT TEAM ORGANIZATION*

<u>Staff Assigned</u>	<u>Percentage of Time</u>
Senior Management Team (2)	35%
Senior Accountant (1)	35%
Staff Accountants (1 or 2)	30%

The Senior Accountant will supervise the on-site fieldwork with close oversight by the Audit Manager.

### ❖ *REQUIREMENT 5 – MANAGEMENT LETTER*

SAS 112 and 115 significantly changed the content of the Yellow Book and the Single Audit opinion letters. Consequently, a management letter would only report minor internal control weaknesses, suggestions for improving operational procedures, cost-saving ideas, and any other suggestions for improving the overall operation of the Town. There will be no surprises! If we have detected an issue during our audit procedures, management will be informed immediately. Any issues disclosed in the management letter or the compliance letters will have been fully discussed with management during the engagement.

### ❖ *REQUIREMENT 6 – ASSISTANCE EXPECTED FROM TOWN STAFF*

To expedite the audit, we need the final trial balance in electronic format (preferably Excel) one week before final fieldwork is scheduled to begin. This allows us to import your trial balance into our audit software and begin identifying our risk areas before fieldwork actually begins. We will also download your interim trial balance for risk assessment and planning purposes as of 12/31, 3/31, and 6/30 (unadjusted).

We prefer all of the client assistance outlined in the RFP to be provided in electronic format wherever possible. The Town can expedite the audit process by minimizing immaterial post-final AJE’s and providing all items on the “Prepared by Client” list before fieldwork begins.

It is our understanding that Town staff will prepare the CAFR in its entirety.



# *Town of Chapel Hill*

## *Section II – Cost Estimate*

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### ❖ *REQUIREMENT 7 – TENTATIVE AUDIT SCHEDULE*

#### *Audit Planning*

We work on our government engagements year-round. We begin by downloading your 12/31 trial balance in January or February of each year. We use this data to assess audit risk, plan our interim procedures, perform preliminary analytic review, and gather data about new projects, funds, and departments. We also stay current with the Town by reading the minutes of the Council's meetings each month. We will meet with the appropriate members of the Finance Department to plan the engagement each year. At this meeting, timetables for our responsibilities and the Town's responsibilities will be agreed upon.

#### *Interim and Final Fieldwork*

Generally, we will perform interim fieldwork at a mutually agreed-upon week from April–June of each year. During interim, we will update our understanding of internal controls, test compliance (Federal and State programs, as required), and audit transactions in capital project funds, special revenue funds, and capital outlay. Our team will be on site for up to one week. We are planned and prepared when we arrive; therefore, once we come on site, we will stay until our objectives are completed. If we have internal control or compliance findings, we will discuss those with management at the completion of our interim procedures.

In a typical year, we will perform final fieldwork in September. Final fieldwork will last approximately one week on site and several weeks in the office. Before we begin the on-site portion of the fieldwork, we will have imported final trial balances, planned our procedures, and coordinated with the finance staff any data needed for our procedures. Our staff will hit the ground running and complete our procedures timely, efficiently, and with minimal interruption of your staff. We will provide any audit adjustments, compliance findings, and internal control findings at the completion of final fieldwork.

Our typical timeline for the Town will be as follows:

- March/April – Download interim trial balance and perform preliminary analytic procedures. This procedure allows us to keep informed of changes at the Town before the audit commences.
- March/April – Planning meeting with the Finance Director. At the planning meeting, we will mutually agree on the fieldwork timetable, client prepared schedules, etc. The purpose of this meeting is to get your staff and our staff on the same page.
- Mutually agreed-upon time between April and June – Interim fieldwork (test internal controls and grant compliance, as required)
- September – Import final trial balance; perform analytical procedures; perform compliance testing; perform final risk assessment; perform final fieldwork.
- October – Submission of report to Local Government Commission.
- Mutually agreed-upon time between October and December – Presentation to the Town Council



# Town of Chapel Hill

## Section II – Cost Estimate

### ❖ **REQUIREMENT 8– PROFESSIONAL FEES – AUDITING SERVICES**

	<u>On-Site Interim</u>	<u>On-Site Final</u>	<u>In Office Total</u>	<u>Total Hours</u>	<u>Rate</u>	<u>Fee</u>
Partner	-	-	8	8	\$ 300	\$ 2,400
Senior Audit Manager/Manager	32	40	40	112	175	19,600
Senior Accountant	32	40	40	112	150	16,800
Staff Accountant	32	40	40	112	95	10,640
Clerical	-	-	10	10	-	560
Travel costs	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Totals for the 2017 audit	<u>96</u>	<u>120</u>	<u>138</u>	<u>354</u>		<u>\$ 50,000</u>

**Proposed fees for year ending June 30, 2017** \$ 50,000

Estimated costs for year ending June 30, 2018\* \$ 51,500

Estimated costs for year ending June 30, 2019\* \$ 51,500

Estimated costs for year ending June 30, 2020\* \$ 53,050

Estimated costs for year ending June 30, 2021\* \$ 53,050

*\*Our fees and the terms of our engagement will be agreed upon annually prior to submitting the annual contract to you for Council approval.*

#### ***Basis/Methodology of Cost Estimate:***

At Martin Starnes & Associates:

- Fees presented on the audit contract are on a “fixed-fee” basis. We will not bill the Town any amount greater or less than the “fixed fee” regardless of the actual time incurred and by whom, unless a “change order” is negotiated. We will execute a “change order” with the Finance Director before any additional fees are incurred by the Town. The “change order” will specify the services to be provided and an estimate of the related fees. We do not bill for travel costs related to the audit engagement. If we are engaged to provide services outside of the audit engagement, we will negotiate the fees for those services, and they may include reimbursing our firm for travel related expenses. Our hourly rates for such services range from \$95-\$300.
- The fees proposed herein include technical assistance to the Town’s staff throughout the year. We are available to serve our government clients twelve months a year. Any assistance that would require supplemental fees will be negotiated in advance. Summary: No surprise fees!
- Our fees also include the planning meeting; single audit testing (as required); submission of the report to the LGC; printing 40 copies of the financial statements and other applicable documents; audit verification for HUD; preparation of the Data Collection Form (as required); and a presentation to the Town Council.

#### ***Basis for Determining Cost Estimate After First Year:***

Our average audit fee increase is 3-5% per year.



# *Town of Chapel Hill*

## *Section II – Cost Estimate*

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### ❖ **REQUIREMENT 9 – ADDITIONAL INFORMATION**

#### **We Have A Story To Tell!**

We have provided the Town of Chapel Hill with all of the information requested in the RFP. There is information and perspective that we would like to share about our firm that is difficult to glean from the basic questions in an RFP. Please indulge us as we explain what makes us different from other qualified firms.

#### ***History***

Our firm's government client list has grown from one small town in Alexander County to one of the largest governmental audit practices in the State with a simple formula:

$$\text{Quality} + \text{Service} + \text{Value} = \text{Success}$$

We have grown one client at a time with a focus on client retention. Since 1992, we have lost very few clients during the re-proposal process. We are convinced that ***Quality + Service + Value = Success*** works!

#### ***Quality***

85% of our audit practice is dedicated to serving governments in North Carolina. We are confident no other firm in North Carolina can make that claim. Our audit staff does not have a 12/31 busy season. Therefore, they are focused on serving our government clients and only have one busy season. This structure has minimized our turnover and increased the quality of our audit product through continuity on the engagement.

We have three Partners who are reviewers for the GFOA Certificate of Excellence Program. We serve on the NCACPA's Government Auditing and Accounting Task Force. We have been members of the AICPA's Government Audit Quality Center since its inception. We are 100% committed to providing the absolute best quality government audit available in North Carolina. Our audit practice has been subjected to quality reviews since 1992 without a blemish. *In fact, during a recent review, the Peer Reviewer asked us to provide his firm with training.*

#### ***Service***

"If you fail to plan, you plan to fail". Each of our engagements start with a plan that is mutually agreed upon by our staff and the client's staff. This includes dates of fieldwork, dates client prepared schedules are due to us, and dates documents are due from us to the client.

We have a state-of-the-art technology system that has successfully eliminated geography as a constraint on service. Your staff will never notice that our firm is in Hickory, and you are in Chapel Hill. Our most recent enhancement to service is our "ShareFile" electronic document transfer system. You will receive or send a request for any document you need to transmit to us or we need to transmit to you through a simple email link. This provides secure, fast transmission of data. It is like having our own private electronic file room with our clients!





## *Town of Chapel Hill*

### *Section II – Cost Estimate*

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#### **Value**

Fees do not always reflect value. Our business model from the very beginning was to provide quality service with a highly trained staff. Our model also includes maintaining state-of-the-art hardware and software in our audit practice. Our most recent example of this commitment was the conversion to **Knowledge Coach**, as discussed herein. We are focused on efficiency and effectiveness in every step of the audit process. The end result - we offer much more to the Town than an audit. We add VALUE to the financial reporting process.

Our firm is “lean” in regard to overhead. Each member of management has client responsibilities as well as management responsibilities. This results in lower standard hourly billing rates. Finally, integrity is the ultimate source of our value-based firm.

#### **How Do We Complete the Volume of Governmental Audits On Time?**

- We plan our engagements starting January 2<sup>nd</sup> of each year so that we can efficiently perform the engagement and minimize the final fieldwork time required.
- We use state-of-the-art technology and use it to the fullest extent.
- We hire and retain the best staff.
- We spend more hours auditing your unit from January–July than our competition. Therefore, we are rarely surprised by what we find at final fieldwork from August–October.
- Our audit staff is leveraged so that we have a balanced ratio of senior leadership, senior accountants, and staff accountants. Each senior accountant manages approximately 10 engagements and has the entire staff accountant pool, as well as our firm leadership, at his or her disposal. Any time an engagement incurs problems, it is handed off “up the ladder” to a manager, rather than drowning the senior accountant.
- Finally, we view our audit practice with a “team” approach. When all of our engagements are completed, then *WE* are finished. “All hands on deck” takes on a whole new meaning at Martin Starnes & Associates.

We have grown our audit practice from the ground up, one client at a time, and one staff member at a time. Therefore, our growth has been planned for and managed. Every engagement has a staffing plan that anticipates when the staff will be ready to supervise the engagement, when the senior will be ready for a promotion to audit manager, and when the audit manager will be ready for more complex management requirements. This allows for continuity on the job, continuity with your staff, and maximum efficiency in our procedures. How do we manage turnover? We have made staff retention a number one priority of the firm.



# Town of Chapel Hill

## Section II – Cost Estimate

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### FINAL CONSIDERATIONS

**Quote from J. Michael Barham, NC Board of CPA Examiners at the 2009 Local Government Update**

*“If you want to improve the quality of Yellow Book and OMB audits, select your auditors based on the following criteria: experience, references, contact the firm’s current audit clients, evaluate professional qualifications, evaluate the firm’s commitment to CPE, the firm’s peer review results, and contact the LGC about the firm’s quality and timeliness; but most importantly, do not let the price be the driving force.”*

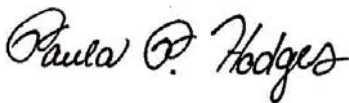
**Excerpt from article: Better Understanding the Financial Statement Audit**

**By Stephen J. Gauthier - Author of Governmental Accounting, Auditing and Financial Reporting ("Blue Book") and Director of the Technical Services Center of the Government Finance Officers Association of the United States and Canada**

*. . . Mandatory auditor rotation may pose special risks in the public sector (do not force yourself into a bad decision). Many people believe that periodically changing audit firms offers real advantages such as a fresh outlook and greater independence from management . . .*

*. . . The potential benefits of auditor rotation depend on the presence of a sufficient number of qualified firms being interested in performing the audit. . . Accordingly, a policy of mandatory auditor rotation, when applied to state and local governments, could force a government into the position of hiring a less than fully qualified replacement for its current independent auditor.*

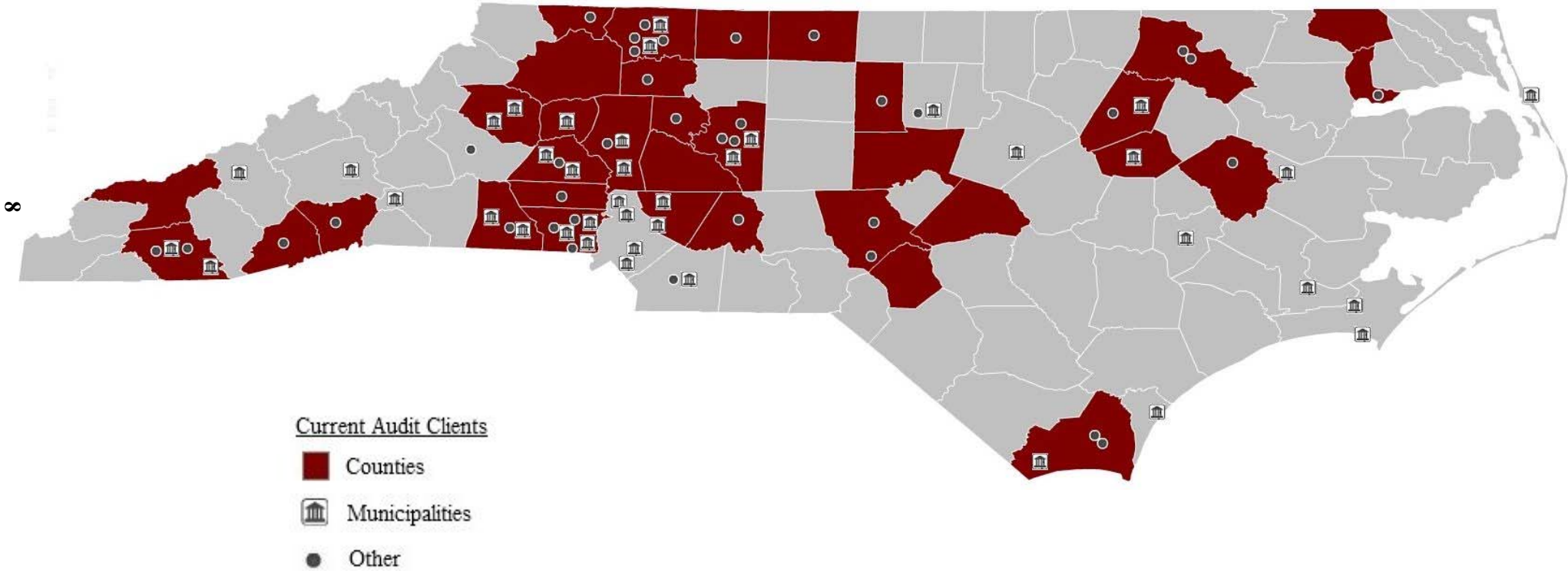
*. . . Furthermore, many of the potential benefits of auditor rotation could be achieved by rotating the personnel assigned to the engagement within the current auditing firm.*

<b>Proposer:</b>	Martin Starnes & Associates, CPAs, P.A.	<b>Contract:</b>	Paula P. Hodges
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	Hickory, NC 28602	<b>Fax:</b>	(828) 328-2324
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<b>Authorized Signature:</b>		<b>Date:</b>	May 1, 2017

***SUPPLEMENTAL INFORMATION***

# North Carolina Is Our Neighborhood

## Governmental Entities We Currently Audit



\*\*Map as of June 30, 2016