

LEHIGH TOWNSHIP
AUDIT SPECIFICATIONS
PROPOSALS FOR AUDIT OF THE 2018 YEAR

INTRODUCTION

Lehigh Township, Northampton County, Pennsylvania, invites independent Certified Public Accountants, with licenses in Pennsylvania and to have experience and proper certifications in performing audits of municipalities in Pennsylvania, to submit proposals to perform a financial and compliance audit on the 2018 fiscal year (from January 1 – December 31). In addition to the required DCED audit, Lehigh Township will be seeking proposals for an additional Business Risk Assessment and Process Improvement & Internal Control Audit to be conducted simultaneously with the DCED Audit. Questions regarding this proposal shall be directed to Alice Rehrig, 610-767-6771, Ext. 111.

PROPOSAL SUBMISSION

One (1) original and (3) copies of the proposal received no later than 11:00 a.m. on February 8, 2019, by:

Alice A. Rehrig, Township Manager Lehigh Township
1069 Municipal Road
Walnutport, PA 18088

Proposals shall be binding for a period of sixty (60) days from the day of opening.

The Township will not be responsible for any expenses incurred by an Auditor in connection with the preparation and submission of a proposal.

If necessary, interviews will be scheduled by representatives of the Township with one or more representatives of the proposer(s).

AUDIT PERIOD

The requested audit services will cover the 2018 fiscal year. Proposals may contain additional quotes for 2019 and 2020 for the DCED audit only.

GENERAL CONDITIONS

Submission of a proposal will be considered as conclusive evidence of the Auditor's complete examination and understanding of the specifications.

The Township reserves the right to reject any and all proposals; the right, in its sole discretion, to accept the proposal considered most favorable; and the right to waive irregularities in the procedures or proposals if it is deemed in the best interest of the Township. The Township further reserves the right

to reject all proposals and seek new proposals if it is considered to be in the best interest of the Township.

The award will be made to that responsive and responsible Auditor whose proposal, conforming to specifications, will be most advantageous to the Township, price and other factors considered, such as delivery time, municipality audit experience, quality, service, etc. The award may or may not be made to the firm with the lowest price.

The Township shall have the right, without invalidating the contract, to make additions to or deductions from the items or work covered by the specifications. In case such deductions or additions are made, an equitable price adjustment shall be made between the Township and the Auditor. Any such adjustments in price shall be made in writing.

INDEMNIFICATION

The Auditor shall assume the defense of and indemnify and hold harmless the Township, its officers, agents and employees from and against all claims, demands, actions, suits and proceedings by others and against all liability, both negligent and non-negligent, arising directly or indirectly out of the actions of the Auditor in their performance of the Auditor's contract.

INSURANCE

The Auditor, prior to commencing work, shall provide, at its own expense, the following insurance to the Township, evidenced by the Certificates of Insurance. Except as provided below for Professional Liability insurance, all policies of insurance shall remain in full force and effect during the term of the Contract and updated Certificates of Insurance shall be provided no later than the renewal date for the insurance. The Certificates of Insurance shall provide that the Township shall receive at least thirty (30) days prior written notice in the event Auditor's insurance is materially changed, cancelled or not renewed.

Nothing contained in this section shall be construed as limiting the extent of the Auditor's responsibility for payment of damages resulting from its operations under the contract.

Worker's Compensation – Including Occupational Disease and Employer's Liability Insurance as required by Pennsylvania Workmen's Compensation and Occupational Disease Laws.

General Liability Policy with minimum coverage limits of \$1,000,000.

Professional Liability with a minimum of \$1,000,000. Auditor shall have and maintain coverage for at least one year beyond completion of actual work.

The Township, its officers, agents, and employees shall be named as an additional insured on the general liability insurance policy.

SCOPE OF WORK

The scope of work shall include two separate audits.

1. DCED Financial Audit

The audit shall include an examination of the financial statements of all Township accounts and funds. The examination shall be made in accordance with generally accepted auditing standards, promulgated by the American Institute of Certified Public Accountants.

The Auditor should be available to provide guidance and to assist the Township with the implementation process as deemed necessary after performing the audit.

2. Business Risk Assessment and Process Improvement & Internal Control Audit

This audit shall include a review and evaluation of existing operational procedures; processes; reliability of internal financial statements, accounts and reporting; consistency of internal controls; compliance with laws and regulations; and fraud deterrence and identification; including IT. Assess the business risks impacting the Township and implement plans to manage those risks.

A. Business Risk Assessment – Phase I

- Create a customized questionnaire to identify significant business risks, operational area of improvements, inefficiencies, security issues, or areas of fraud vulnerability
- Analyze and prioritize the results and develop a tracking mechanism
- Provide recommendations, including a cost-benefit analysis for each area
- Assist with development of a risk response plan to correct any found issues
- Meet and present summary of results to the Board of Supervisors
- Meet and present summary of results to the Township Manager

B. Process Improvement & Internal Control Audit – Phase II

- Assess business risks and internal processes
- Examine operational efficiencies, safeguarding assets, reliability of financial reporting, consistency of internal controls and Township's ability to comply with laws and regulations, deter and identify potential fraud, and accurate financial reporting.
- Identify and evaluate internal controls to help prevent, detect, and investigate areas of weakness and potential fraud
- Prepare policies and procedures for internal controls
- Assist with the development of proactive and reactive fraud capabilities
- Meet and present findings and recommendations to the Board of Supervisors
- Meet and present findings and recommendations to the Township Manager

INFORMATION ON THE RECORDS TO BE AUDITED

The Township's General Ledger is maintained on a cash basis. Budgeted total revenues and total expenditures for 2018 are approximately \$5.1 million. There are 25 full-time employees and 2 part-time

or seasonal employees. In addition to the General Fund, Lehigh Township has a liquid fuels fund, non-uniformed and uniformed pension funds, three capital reserve funds, several escrow funds and project funds. There are approximately 1,100 checks written through the Township's General Fund and 25 checks are written through the Liquid Fuels Fund. Management/employees have authorization to use a Township credit card.

The Township will sign all audit confirmation letters, which are to be prepared by the Auditor. Assistance will be available to help retrieve documents such as but not limited to paid checks and invoices and to prepare schedules.

REPORTS REQUIRED

The following reports are expected at the completion of the audit. The audit for the 2018 year shall commence as soon as is practical after January 1, 2019.

1. A report on the examination of the financial statements shall contain an expression of the Auditor's opinion as to whether the information contained in the financial statements is presented firmly in conformance with generally accepted accounting principles. If the Auditor cannot express such an opinion, the reasons should be so stated in the report. Further, the Auditor's opinion, with respect to the supplemental financial information presented in the combining financial statements, shall also make a reference as to their fairness in all material respects in relation to the general purpose financial statements.
2. A detailed management letter shall be prepared. It should include a summation of audit findings and recommendations affecting the financial statements, internal controls accounting, accounting systems, legality of actions, and any other matters.
3. The timely filing of the annual DCED audit shall be the responsibility of the auditor.
4. A separate report shall be issued outlining any findings and recommendations pertaining to the Business Risk Assessment.
5. A separate report shall be issued outlining any findings and recommendation pertaining to the Process Improvement & Internal Control Audit.

SCHEDULE

The Auditor may commence the examination in concurrence with the Township Manager. The Auditor will be required to meet with the Board of Supervisors to discuss the audit or related matters at least one week prior to starting the audit. The Auditor will conduct a post-audit conference with the Board of Supervisors to review the DCED audit findings and the findings and recommendations pertaining to the Business Risk Assessment and Process Improvement & Internal Control Audit within two weeks of the completion of the audit, prior to any reporting or filing of the audit. All final reports and all accompanying documents must be provided no later than May 31, 2019.

PROPOSAL

Proposals shall cover the technical aspects as hereafter explained, as well as details as to fees charged and out-of-pocket expenses to be billed. One (1) original and three (3) copies of the proposal are required.

Proposals should include the following information:

- The name of the firm, the local address, telephone number, name of the contact person, email address for the contact person, and individual(s) who will be performing the audit.
- Confirmation of the ability to complete the audit within the time period requested.
- Profile of Auditor. Give the location of the office from which the work is to be done and the names of partners, manage, supervisors, seniors and other professional staff employed at that office. Briefly describe the range of activities performed by the local office such as auditing, accounting, tax services and management advisory services.
- Summary of the Auditor's Qualification. Describe the recent local and/or regional office auditing experience and provide a list of all Pennsylvania municipal and school district audits completed in the past 5 years, with the names and telephone numbers of the contact individuals with each of these Pennsylvania governmental units.
- Provide a brief resume for each of the persons to be assigned to the engagement. Detailed information should be provided for the partner in charge of the audit, the principal or manager who will be reviewing the field audit wok, and the accountant who will be in charge of the field audit work. Resumes should include educational and professional experience with particular emphasis on auditing of governmental units. Indicate whether the individuals are members of the American Institute of Certified Public Accountants (AICPA) and/or the Pennsylvania Institute of Certified Public Accountants (PICPA).
- Audit Approach. Make a statement indicating your understanding as to the scope of work requested and briefly describe your firm's audit approach and give specific illustrations of the audit procedures which will be employed. Submit at least one (1) sample of a recent audit report prepared by your firm for a governmental unit, excluding authorities.
- Additional Data. Include in this section any pertinent information not covered in any of the previous sections.

- Compensation. The proposal shall include a lump sum fee for all services to be provided in compliance with these proposal specifications. The compensation in the proposal shall be indicated as follows:

Compensation for DCED Financial Audit, 2018 \$ _____

Compensation for Business Risk Assessment and Process Improvement & Internal Control Audit

Compensation for Phase I and Phase II \$ _____

Phase I - Business Risk Assessment Only \$ _____

Phase II - Process Improvement & Internal Control Audit Only \$ _____

Compensation for DCED Financial Audit, 2019 (Optional) \$ _____

Compensation for DCED Financial Audit, 2020 (Optional) \$ _____

The Auditor shall submit an invoice for all services completed after the audit is presented to the Township, who shall pay the invoice in full within 30 days unless there is some material deficiency with the audit. In the event of this occurrence, the Township shall endeavor promptly to resolve the issue(s).

EVALUATION OF THE PROPOSALS

In general, the proposals will be evaluated in terms of: (1) the auditor’s demonstrated understanding of the Township’s requirements and plans for meeting them; (2) the professional qualifications and related experience of the persons assigned to the engagement; (3) the prior experience and reputation of the Auditor in auditing similar entities, and (4) the organization size and structure of the Auditor.

The Township reserves the right to reject any and all proposals submitted and to request additional information from Auditors. Notice is also given to the possibility that an award may be made without discussion or after limited negotiations. It is, therefore important that all proposals contain the most favorable terms possible and should be complete in all respects.