R-XX-2023 A Resolution Awarding a Three-Year Professional Services Contract with an Option to Extend for Two Additional One-Year Periods to SB & Company for Annual Audit Services, and Authorize the City Manager to Negotiate Contract Payment Terms and Non-Material Contract Terms and Conditions

City Council of the City of Glenarden, Maryland
2023 Legislation

Resolution Number:	**R-XX-2023**
Sponsor:	**Derek D. Curtis, II, Council President**
Co-Sponsor:	**At the request of the Administration**
Public Hearing:	**Tuesday, September 13, 2022**
Session:	**Regular Session**
Date of Introduction:	**Monday, September 19, 2022**

A RESOLUTION AWARDING A THREE-YEAR PROFESSIONAL SERVICES CONTRACT, WITH AN OPTION TO EXTEND FOR TWO ADDITIONAL ONE-YEAR PERIODS TO SB & COMPANY FOR ANNUAL AUDIT SERVICES, AND AUTHORIZE THE CITY MANAGER TO NEGOTIATE CONTRACT PAYMENT TERMS AND NON-MATERIAL CONTRACT TERMS AND CONDITIONS

WHEREAS, under its fiscal policies, the City's financial transactions and records are to be audited by an independent certified public accountant firm at least once annually, and a report be submitted to its City Council on the results of the audit; and

WHEREAS, the audit must be conducted in accordance with generally accepted government auditing standards applicable to financial audits established by the Governmental Accounting Standards Board (GASB) and the Controller General of the United States; and

WHEREAS, The City's policy is to competitively re-bid professional services contracts; and

WHEREAS, on June 7, 2022, the City issued a Request for Proposals for annual audit services for a three-year contract covering audits for Fiscal Years 2021/22 and 2022/23, 2023/2024 with two one-year extension options; and

WHEREAS, The City received three proposals in response to the RFP by the due date of June 24, 2022; and

WHEREAS, a review panel comprised of staff from the Treasurer and City Manager's Office reviewed the proposals and checked references on SB & Company; and

WHEREAS, the scope of work described in the RFP is included in the City's proposed Fiscal Year 2022/23 Budget, and sufficient funds will be included in future budgets to cover the remaining cost of the contract.

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NOW, THEREFORE, BE IT RESOLVED, by the City Council of Glenarden, Maryland sitting in **Regular Session this 19th day of September 2022**:

1. That the City of Glenarden hereby awards a three-year professional services contract, with an option to extend for two additional one-year periods, to SB & Company for annual audit services; and

2. That the City Manager is hereby authorized to negotiate contract payment terms and non-material contract terms and conditions; and

3. That for the purposes of this resolution, "non-material" shall mean contract terms and conditions other than provisions related to the overall contract amount, terms of payment, and general scope of services; and be it further

4. That notwithstanding the foregoing and any rule or policy of the City to the contrary, the City Manager is expressly authorized to execute agreements and amendments to agreements that do not cause the total agreement value, as approved herein, to be exceeded and that does not expand the general scope of services.

The Resolution shall take effect immediately upon passage by the City Council.

Date Approved: _____

ATTEST:

City Council of Glenarden

_____

Victoria Lewis, Council Clerk

_____

Derek D. Curtis, II, Council President

_____

Angela D. Ferguson, Council Vice President

_____

Erika L. Fareed, Councilwoman

_____

James A. Herring, Councilman

R-XX-2023 A Resolution Awarding a Three-Year Professional Services Contract with an Option to Extend for Two Additional One-Year Periods to SB & Company for Annual Audit Services, and Authorize the City Manager to Negotiate Contract Payment Terms and Non-Material Contract Terms and Conditions

_____

Kathleen J. Guillaume, Councilwoman

_____

Maurice A. Hairston, Councilman

_____

Robin Jones, Councilwoman

Votes:

Yes_____
No_____
Abstain_____

WILLIAM SEYMOUR
ENGAGEMENT PARTNER
WSEYMOUR@SBANDCOMPANY.COM
PHONE:410.584.1404

PROPOSED
BY SB & COMPANY, LLC

PROPOSAL TO PROVIDE PROFESSIONAL AUDITING SERVICES TO

CITY OF GLENARDEN

JUNE 24, 2022
SUBMITTED BY SB & COMPANY, LLC
10200 GRAND CENTRAL AVENUE
SUITE 250
OWINGS MILLS, MD 21117

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SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

TRANSMITTAL LETTER

June 24, 2022

Dean Stewart
Treasurer
City of Glenarden
8600 Glenarden Parkway
Glenarden, MD 20706

RE: Proposal for Professional Auditing Services for the City of Glenarden

Dear Mr. Stewart,

SB & Company, LLC ("SBC") is pleased to present our qualifications to City of Glenarden ("the City") to audit your financial statements for the fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024, with the option of extending the contract for two (2) additional one-year periods, at the City's sole discretion. In addition, SBC proposes to prepare the State of Maryland Uniform Financial Report ("UFR") for each fiscal year. SBC and all of the assigned professional staff to the engagement are properly licensed to practice in Maryland.

SBC is a regional, certified public accounting and business advisory firm founded by former Big 4 international accounting firm professionals. We have significant experience providing a variety of services to numerous state and local government entities throughout the Mid-Atlantic region, including the Town of Ocean City, the State of Maryland, Cecil County, City of Baltimore, District of Columbia Government, the City of Aberdeen, the City of Hagerstown, and the City of Dover. SBC professionals have assisted these entities with the issues that impact the government sector. Our leadership, client service, and commitment to quality on previous audits in the government sector are evidence that we can successfully provide audit services for the City. SBC has compiled an outstanding engagement team to serve you that has extensive knowledge and experience in the government sector. We look forward to the opportunity to share our experience with the Town. We commit to providing services to be performed in accordance with standards generally accepted in the United States of America, or as otherwise noted in the RFP. We have no exceptions to the request for proposals and ensure our compliance with all the requirements listed therein.

SBC will perform all audits in accordance with the generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, the provisions of the Federal Single Audit Act, and United States Office of Management and budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

SBC agrees to perform all of the work outlined in the City's RFP within the time periods established by the City.

SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Our Features

Top Down

Risk-based audit approach. Our top-down approach to audit services places a premium on our ability to develop a thorough understanding of your business and make objective assessments of business and audit risks. Our approach is structured to ensure that we identify, discuss, and resolve issues early in the preliminary phase of our work by performing certain substantive audit procedures and building communications. This approach will ensure that we will have less substantive audit work during the final fieldwork phase and will be in a position to "sign off" in a timely fashion after year-end. Sufficient planning, up-front resolution, and timely communication will ensure that we have no surprises.

Timing

Timing and communication are as important to us as they are to you. SBC's experience, focus on quality, and commitment to client service allow us to provide the highest caliber of work while creatively solving your needs. We will work with you to meet your objectives and achieve your deadlines in a timely manner. Our professionals absolutely stand by our promise to meet all your pre-determined deadlines and any subsequent deadlines created during the engagement. Open communication with all parties involved will allow us to better serve your needs and meet our deadlines.

Year-Round

A year-round resource for the City. Our client service approach revolves around you. This means we deliver significant partner and manager presence on-site and regular update phone calls and meetings throughout the audit process. We will work in unison with management by being a partner and resource for this engagement. We understand the volume and complexity of this audit and will provide the highest level of service by being available to the city, being responsive to requests and needs, and being proactive.

Quality

"Big 4" quality. SBC employs many of the same quality procedures that international firms use. SBC was created by personnel rooted in the "Big 4" firm's culture and they incorporate that experience, commitment, and quality to SBC's practice. The founding partners of SBC and many of SBC's employees come from "Big 4" firms. SBC employs the international firm mentality and quality of work; however, we have eliminated some of the qualities that we considered less desirable. SBC is a member of the American Institute of Certified Public Accountants' ("AICPA") Government Audit Quality Center ("the Center") and has incorporated the Center's quality requirements into the practice.

Reasonable Costs

We stand behind our fee quote. Some firms seem more concerned about additional billing opportunities to the client for issues encountered during an audit that should have been anticipated in costs, rather than in helping the client understand the issues and finding an acceptable resolution. When we discover issues, our energy will be focused on assisting you with resolving those issues. SBC charges lower fees than the "Big 4" firms because of our firm's lower cost structure and client focus. Our partners serve clients, instead of having our most expensive partners serving in administrative roles.

SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

A Top-Performing Firm Serving State and Local Governments

SBC is recognized as one of the top performing firms serving the state and local government industry in Maryland. Our firm carries seasoned experience in performing audits for the State of Maryland and District of Columbia, as well as a wide arrangement of other local governments. We assist many of these clients with Annual Comprehensive Financial Report submissions to GFOA. The State of Maryland, District of Columbia and these related entities selected SBC because of their recognition and confidence in the capacity and expertise of SBC's technical skills, industry knowledge and commitment to client service.

Summary of Qualifications to Serve the City

SBC understands the different areas of risks and variables that may affect the City. Rest assured that our firm is amply equipped with the necessary resources, experience, and qualifications to fully perform the services outlined in the City's request for proposal. SBC agrees to perform the proposed engagement on time, in accordance with all deadlines, and using the adequate professional staff and capacity to perform this audit and to issue the required reports. Additionally, we will be available to provide other related services upon request. SBC confirms that we have the resources and staffing availability to perform the audit timely, on-site, and with minimal procedures performed after the close of field work. Additional staff will not need to be hired to service the engagement. SBC commits to perform the work within the time period. This proposal is a is a firm and irrevocable offer through at least June 30, 2023. SBC is the best accounting firm to perform the work for the City due to our extensive experience and knowledge in the state and local government industry, as well as our partners' fierce commitment to our clients. The authorized and binding representative for this engagement is William Seymour, engagement partner. William is entitled to represent the firm, empowered to submit our proposal, and authorized to sign a contract with the City. All requested forms from the City's RFP can be found completed in the Appendix section of this proposal. Should you have any questions, please feel free to contact me or Chris Lehman, audit partner, at any time.

(William) Bill Seymour, CPA, CMGA
Engagement Partner
(410) 584-404 Direct
(443) 220-4401 Mobile
wseymour@sbandcompany.com

Christopher (Chris) Lehman, CPA
Audit Partner
410.584.2201 Direct
301.785.7408 Mobile
clehman@sbandcompany.com

Sincerely,
SB & Company, LLC

By:

William Seymour, CPA, CGMA

Member

Peer Review Report

A report on its most recent external quality review, any findings discovered as part of that review and actions taken to correct those findings. The firm also must disclose information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations, as well as any pending or settled litigation within the past three (3) years.

SBC has met the peer review standards of the AICPA and Government Auditing Standards. We have consistently received an unmodified "clean" peer review on every peer review conducted by the AICPA. In 2022, SBC received an unmodified "clean" peer review with no comments which included a specific review of government engagements. The 2022 peer review report is included at the end of this proposal under the Appendix section.

We have also passed each of the Quality Control Reviews conducted by the Legal Services Corporation Office of the Inspector General.

Desk Reviews and Disciplinary Action

SBC has had field and desk reviews of its audits during the past three years and have not had findings from these reviews.

SBC does not have any ongoing or contemplated litigation or disciplinary action that has occurred during the past three years that might adversely affect our ability to serve the City. SBC understands that the accounting profession is subject to many business risks including litigation and we have taken the necessary steps to avert these risks. Our client acceptance, client retention criteria and quality assurance risk management procedures prevent us from having any litigation outstanding. We have had clean federal desk reviews and PCOB review.

Independence

SB & Company, LLC, is independent of the City as defined by generally accepted auditing standard, and the *U.S General Accounting Office's Government Auditing Standards (1994).* Each year every individual in the firm is required to disclose any conflicts relative to each client in the firm. There are no potential conflicts of interest or relationships that SBC has with the City.

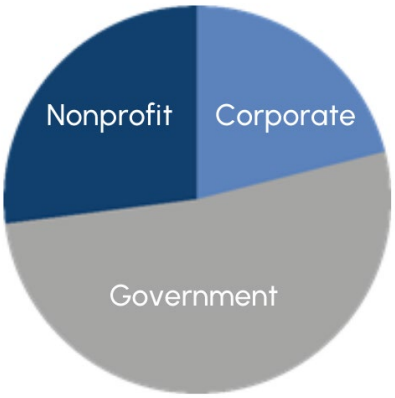
We have had no professional relationships with the City or any of the staff. We confirm that we will provide the City written notice of any professional relationships entered into during the period of this agreement.

Governmental Capability

A description of the size of the firm's governmental staff and the firm's experience with cities of a similar nature and scope. Emphasis should be placed on assignments undertaken within the past three years and on engagements undertaken by the personnel proposed to be assigned to this agreement.

SBC is a limited liability corporation. SBC is owned by individuals, with no affiliated companies or joint ventures, and is 86% African American owned. In sharing our accomplishments as a firm, we:

- Are a unique firm of outstanding, talented, committed, and diverse professionals;
- Serve in several industry standard-setting and professional leadership roles;
- Work with a varied and growing client base across audit, tax, and risk consulting services;
- Utilize rigorous client service methodologies to deliver measurable value; and
- Contribute to, participate in, and lead local community organizations.



SBC was founded in 2005 by three former Arthur Andersen members. Our firm was founded as a small, Minority Business Enterprise (MBE) certified public accounting and business advisory firm with a strong presence along the east coast. Today, SBC employs approximately eighty professionals. Our professionals work out of five offices in Owings Mills, Maryland; Washington, D.C.; Richmond, Virginia; Philadelphia, Pennsylvania; and Hollywood, Florida.

We work with over fifty government entities. A select listing of government entities SBC works with include the State of Maryland, DC Government, and Baltimore City. Our clients also include several premier companies, such as Prudential, Comcast, and Marriott.

The work for the City engagement would be performed from our Owings Mills office. The key personnel engagement team will be led by Chris Lehman and Bill Seymour. They will be assisted by Stephen Mackall. Please see pages 11 and 12 of this proposal that highlights their credentials and short biographies.

The government sector is a primary focus of SBC. We have utilized our resources and industry-insight to ensure success with our government clients. With approximately 45% of our clients being government entities, all eighty of SBC's staffed personnel are skilled in these engagements. The key personnel that are assigned to delivering the requested services will perform them with close attention to detail.

Firm Organizational Chart

Shown below is a chart that displays the breakdown of the services that SBC offers our clients.

Assurance

Our assurance department consists of five partners, senior managers, managers, seniors, staff and associates. They all perform audits and other assurance services for corporations, government and nonprofit entities.

Tax

Our tax department consists of a director, manager, senior and staff.

IT Risk

Our IT risk consulting practice consists of a principal, manager, senior and staff. They all specialize in IT risk, application controls review, and general IT controls assessment.

Risk Consulting

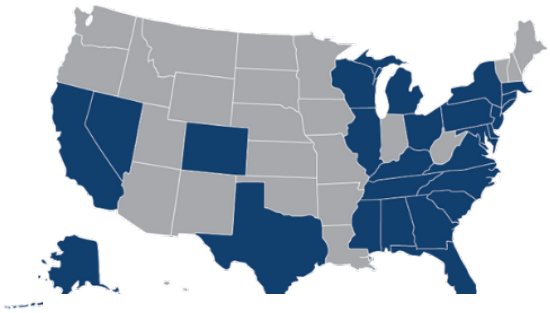
Our risk consulting group consists of a partner, principal, managers, seniors and staff. This group focuses on the evaluation of general and process controls, internal audit out and co-sources, and enterprise risk consultants.

Emerging Entities

Our emerging entities services group consists of a partner, managers, seniors and staff. They perform financial statement audits, reviews and compilations, tax return preparation and planning, operations improvement, and efficiency and cost reduction for start up and emerging growth stage companies and nonprofits,

Government Industry Focus

With a significant presence serving the federal, state, and local government sectors, SBC has experienced significant growth. We have worked with several Federal Agencies and plan for continued growth in this area.



Client Service States

Our level of involvement within the government industry has led to establishing relationships with standard setters at the Government Accounting Standards Board (GASB), Association of Government Accountants (AGA), Federal Accounting Standards Advisory Board (FASAB), the Government Finance Officers Association (GFOA) and the AICPA. Our team has served many state and local government clients including Lancaster County, Northumberland County, City of Scranton, City of Hazleton, Harrisburg Housing Authority, State of Maryland, and District of Columbia.

Active Involvement in the State and Local Government Industry

SBC was founded to serve state and local governments. Because of this focus, our firm has gained considerable experience within them, and has earned the reputation as a technical expert on state and local government issues. Accompanying our expertise, SBC remains dedicated to an active involvement within the state and local governments. Through our active participation in a variety of professional associations and industry organizations, our team members have developed valuable relationships with standard-setters that will provide our clients with access to the latest industry information and real-time knowledge of upcoming pronouncements. The knowledge we can provide to you is relevant and effective in assisting you with making the business and accounting decisions that you are faced with throughout the year. We have performed numerous similar audits for many cities, counties, and other local and state government entities, This experience enables us to understand the standards and requirements that apply to the City and identify issues promptly, collaborate with management on solutions, and meet your deadlines with no last-minute surprises. We take pride in our work and have had no legal disputes regarding providing any services. SBC has conducted audits to comply with the requirements of Title 2 CFR Part 200 (previously OMB Circular A-133), as amended, issued by the U.S. Office of Management and Budget. SBC currently oversees the Single Audit for the State of Maryland and performs Single Audits for various other governments and nonprofit organizations.

Our team is dedicated to serving local government entities and understanding the many demands that fall on them.

Outside of the standard financial audit services, we can provide the following services:

- Improve financial reporting and internal controls
- Control costs
- Manage information
- Increase efficiency
- Manage resources
- Specialty audits
- Investigative procedures
- Compliance audits

Governmental Clients

Below is a list of SBC's current and past governmental clients.

- Anne Arundel County, MD
- Capitol Technology University
- Cecil County, MD
- City of Annapolis, MD
- City of Aberdeen
- City of College Park, MD
- City of Dover, DE
- City of Hagerstown, MD
- City of Hazleton, PA
- City of Philadelphia, PA
- City of Seat Pleasant, MD
- Coppin State University
- DC Department of Health Care Finance
- Delaware State University
- Denali Commission
- Department of Labor, Licensing, and Regulation
- Frederick County, MD
- Frederick County Public Schools
- Frederick Community College
- Harrisburg Housing Authority
- Harford County, MD
- Harford County Health Department
- Harford County Public Schools
- Health Services Cost Review Commission (Maryland)
- Housing Authority of Cambridge
- Housing Authority of the City of Annapolis
- Howard Community College
- Howard University
- Kent County Library
- Kent County, MD
- Maryland Department of Housing and Community Development
- Maryland Supplemental Retirement Plans
- Maryland Affordable Housing Trust
- Norfolk State University WNSB Radio Station
- Northumberland County, PA
- Organization of American States
- Pennsylvania Public School Employees' Retirement System
- Philadelphia Housing Authority
- Prince George's County Memorial Library
- Social Security Administration
- State of Maryland - Baltimore City Community College
- State of Maryland – College Savings Plan
- State of Maryland - Correctional Enterprise
- State of Maryland - Department of Business and Economic Development
- State of Maryland – Department of Information Technology
- State of Maryland – Maryland Department of Transportation
- State of Maryland - Maryland Environmental Services
- State of Maryland - Maryland Food Center
- State of Maryland - Maryland Transit Administration Pension
- State of Maryland – Morgan State University
- State of Maryland – Post Retirement Health
- State of Maryland – Single Audit
- State of Maryland – St. Mary's College
- State of Maryland – Stadium Authority
- State of Maryland – Unemployment Insurance
- Susquehanna Township, PA
- Town of Bel Air, MD
- Town of Centreville, MD
- Town of Garrett Park, MD
- Town of Ocean City, MD
- Town of New Windsor, MD
- University of Maryland College Park
- U.S. Coast Guard Academy
- U.S. Department of Housing and Urban Development
- Washington County, MD
- Washington Metropolitan Area Transit Authority
- Washington Suburban Transit Commission
- Wilmington Housing Authority

Government Experience and Professional Association Clients

Industry	State and Local Government	Colleges and Universities	Retirement Plan
Credentials	• "Big 4" firm experience • Audited large government entities • GFOA Certificate Reviewers • Testified to GASB • Perform GAAP financial statement audits • Experience with many clients that consistently obtain the prestigious GFOA Certificate of Achievement for Excellence in Financial Reporting • Access to standard setters for implementation of new GASB standards • Debt offerings • Understand Federal Register (2 C.F.R. 200) and other regulatory requirements	• "Big 4" firm experience • Audited large colleges and universities • Resolved accounting and other issues • Multi-location audits • Understand Federal Register (2 C.F.R. 200) and other regulatory requirements • Debt offerings • Managed large engagements • Experience with enrollment audits • Access to standard setters for implementation of new GASB • Our team members are speakers in this industry	• "Big 4" firm experience • Audited large benefit plans (including defined benefit plans, defined contribution plans, and health and welfare plans) • Access to standard setters for implementation of new GASB standards • Our team members are speakers in this industry • AICPA Quality Center
Commitment to	• GFOA Conferences • MDGFOA Conferences • NASACT Conferences • AICPA and MACPA Conferences • Courses including derivatives, environmental liabilities, OPEB, and fund balances	• GFOA Conferences • MDGFOA Conferences • NACUBO Conferences • AICPA and MACPA Conferences • Courses including derivatives, ASC958 (endowment classifications), OPEB and fund balance	• AICPA Conferences • AICPA Quality Center Conferences • Courses include: Investment Valuation, Actuarial Reporting and Assumptions, and Participant Data
Industry Involvement	• AICPA Government Audit Quality Center • GFOA • MDGFOA • GFOA-PA • VGFOA • AGA • NASACT • MDGFOA Trainers • MDGFOA Conference Committee • Intergovernmental Forum • NASACT Speaker • AICPA Government Conference • MACPA Government Conference	• AICPA Government Audit Quality Center • NACUBO • GFOA • MDGFOA • GFOA-PA • VGFOA • AICPA Government Conference • MACPA Government Conference	• AICPA Employee Benefit Plan Quality Center • AICPA Employee Benefit Plan Conference

Engagement Team

Identify all personnel who will be assigned to work on this project and the firm office in which they are each located. Include brief summaries of their background (including if they hold a current CPA license) and experience in auditing cities as well as their assigned responsibilities under the proposal.

Our engagement team has been carefully selected based on your needs – technical depth and varied industry experience including government, grants management, and compliance audits. You will note that we include two partners to ensure that you have access to SBC leadership at any given time. Bill and Chris bring years of state and local government experience working on government and large-scale engagements. Their expertise is evidenced by their leadership positions within the AICPA, Maryland Association of Certified Public Accountants ("MACPA"), and GFOA. Given our partners' own board member experiences, they can step in the shoes of the board and bring ideas for enhanced governance. Our clients continuously tell us that people and process are key to an outstanding audit experience—clients want to see us, hear from us, and feel that we can be adaptable and offer the best insights to help them make important decisions, all of which comes from seasoned partners and managers who know how to utilize their time wisely, communicate well, and effectively lead seniors and staff. Both our firm and our assigned lead partners are licensed to work in Maryland. Resumes for all engagement team members are included in the Appendix section of this proposal.

Bill Seymour, CPA, CGMA, our proposed engagement partner, is a partner with over twenty years of experience in public accounting including working with Arthur Andersen in the Mid-Atlantic State and Local Government practice. Bill is thoroughly involved in the GFOA–National as well as GFOA for Virginia and Maryland. Bill Seymour is a MDGFOA trainer and part of the MDGFOA Affinity Group on pensions and has spoken at MDGFOA events. Bill, along with two SBC senior managers, is an AICPA Enhanced Peer Reviewer. He also served as a member of the Executive Committee of the AICPA's Governmental Audit Quality Center. In his role on the Executive Committee, Bill worked directly with standard setters in developing the AICPA's response to new accounting standards, single audit changes, and other items. Bill currently teaches government accounting at Towson University as an adjunct professor. Bill will be responsible for ensuring that we have properly planned the audit to address the significant audit risks identified during our planning process and that the deliverables are technically correct. He will lead the planning and reviewing of the work papers and deliverables in sufficient detail to ensure the audit plan was accurately executed and documented and that issues are properly addressed and resolved.

Chris Lehman, CPA, MBA, our proposed audit partner, has over sixteen years of experience at SBC providing Government Financial Audit and Compliance services. He is accustomed to working in a fast-paced, deadline-driven atmosphere. Chris will have day-to-day oversight, contact with the client, and play a key role in decisions on all significant issues. As Chris has served many government clients, he understands regulations and reporting requirements. Chris has served as both a teacher and speaker at MDGFOA, GFOA-PA Central Region, and GFOA Washington Metropolitan Area.

Tobi Hollander, CPA, our proposed engagement manager, is a senior manager with more than eight years of experience at SBC. Tobi has successfully worked in a variety of industries, focusing on compliance testing, substantive testing, and internal controls. Tobi has served our nonprofit, government, educational, and corporate clients. Tobi manages engagements to ensure that they are executed in accordance with the plan and that risks are properly addressed in a timely manner. She will work closely with the City to ensure that you are aware of the status of the audit.

Julie Paris, our proposed IT risk manager, has over thirty years in Information Technology (IT). She will have overall responsibility for coordinating our technology and information systems auditing efforts. This includes identifying and evaluating general control risks and designing audit procedures that incorporate both general IT controls and testing of key automated controls identified by the audit engagement team. Julie will ultimately provide the technical knowledge of the various information systems used by the City and serve as a resource to the engagement team to help evaluate the overall control environment and provide recommendations to management. As an IT risk manager, she brings a unique wealth of experience understanding technology in a technical and comprehensive way that many IT auditors do not. She understands the entire life cycle since she supported various companies in determining their system and database needs and assisted with the development and implementation of enterprise application financial software needs and modifications for several clients.

SBC's Headquarters – Owings Mills, Maryland

SBC's headquarters is based in Owings Mills, Maryland. All work for the engagement will be conducted from our Owings Mills Office. SBC provides local financial services and proposes to be heavily accessible when needed. We hope the City sees our firm's organizational structure and basis of qualification as our ability to provide exceptional financial services in an efficient and timely manner.

SBC employs approximately eighty professional staff at this location, including all levels of staff from staff accountants to partners. Currently, SBC serves approximately 280 clients in various industries.

Year-Round Communication

Our service philosophy is founded on the ability to create long-term relationships that continually provide value to our client. Our lead partner and entire engagement team will be available to the City on a year-round basis whenever needed. We prioritize communication plans to ensure that we are always on target with meeting your needs and exceeding your expectations. Our service methodology and account relationship philosophies include providing preventive, required, requested, and proactive services to our clients. This ideology ensures that our clients always receive a complete solution that addresses each area of their business through our communication with management.

It is rooted in our commitment to our clients to uphold responsive communication. This commitment ensures SBC stays in contact with our clients outside of the audit period. We believe it is important to be available to answer the City's questions throughout the year. We will provide notifications of new releases or issues that affect our clients with write ups or postings on our website. As active members of the government sector, we encourage our clients to reach out to us for any questions that they may have. We will be able to provide guidance based upon our seasoned experience working with government entities. Our extensive experience with significant interactions with other clients, similar to the City, will grant us the ability to provide the knowledge we have gained to by answering their questions or issues that management may have.

SBC will hold regularly scheduled formal and informal meetings with management. We will conduct such meetings to keep you abreast of the audit progress and to update your emerging accounting, industry, and business issues. When it comes to required meetings, SBC fully understands that outside of regularly scheduled meetings, important meetings may arise upon short notice. We will ensure that at least one key team member is available to accommodate any requested meetings to keep a consistent process of seamless communication between us and you.

Staff and Engagement Team Continuity

An affirmative statement that engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons only with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the firm submitting the proposal, provided that replacements have substantially the same or better qualifications or experience.

SBC has reviewed your RFP and understands that engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. We comply that these personnel may also be changed for other reasons only with the express prior written permission of the City.

We recognize the importance of maintaining continuity of key personnel on engagements because it maximizes our effectiveness and minimizes the disruption to our clients' operations. Frequent personnel changes can have a disruptive impact on the operations of the client organization and on the engagement itself. SBC guarantees that the City's engagement will have continuity. All throughout the COVID-19 pandemic, SBC has not had any major changes affect our firm. We have upheld our constant technical services and ability to keep our staff largely intact. We have no significant turnover and will provide the City with reliable continuity in your engagement team. You will have ample amount of people working on your engagement on a year-round basis.

Staff turnover at SBC has been minimal. However, if the rare need arises, replacement personnel will have substantially the same or better qualifications. Personnel assigned to the engagement will not be changed without written permission of our clients, who has the right to approve or reject replacements. SBC's goal is to exceed your expectations and we are committed to providing you with the best qualified professionals.

Our Commitment and Value

SBC will focus on bringing knowledge and advice to the City to ensure that we have a complete understanding of the organization's risk, how that risk is mitigated, and where the opportunities for improvement exist. Anticipating issues and coming forth promptly is a trademark of SBC service. We will help you define challenges before they become problems, identify opportunities promptly, identify practical solutions to issues, and assist you in the implementation of those solutions. Our focus is on providing value to you and not simply generating billable hours for the firm. The City requires reliable resources to accommodate growth and change within the organization in the face of challenging economic times and throughout your continued growth.

The benefits of selecting SBC as your audit partner are based on the following strengths:

- Key team members' significant technical knowledge and ample experience with local governments, which will result in the timely resolution of emerging issues;
- Unrelenting client service, accessibility to firm experts, commitment to meet all deadlines, and proactive communication with you year-round;
- A top-down approach that results in greater partner involvement throughout the engagement;
- Competent professionals with Big 4 backgrounds, training and development, which means the superior quality of a larger firm is not mutually exclusive from the attentiveness of a small firm;

- A commonsense audit methodology that increases audit quality by focusing on key risks and business operations;
- Access to industry standard setters, global best practices, and technical resources;
- Our deliverable is not just the audit opinion, but also a presentation that details the audit process, risks, internal controls, industry updates and provides advice;
- A fee philosophy that allows us to provide quality service at a reasonable cost; and
- Ability to be a trusted business advisor and provide value-added services to you as a client year-round.

Our Solutions

SBC's risk-based audit approach is a commonsense approach that will deeply benefit the City. We provide a detailed description of this approach later in the proposal. From our experience with state and local governments, we understand your expectations of technically competent personnel at all levels, responsive service, and the high standards that you require and deserve. By selecting SBC, you will work with an accommodating team of professionals who are familiar with your organization and the operations of your industry, dedicated to the high standards you expect, and committed to serving your organization year-round.

The solutions we will provide include:

Business and Financial

- Mitigating risks
- Timely release of audit reports
- Aligning the auditing function with the needs and opportunities of the organization
- Conducting preventive auditing

Operational and Functional

- High flexibility
- Assistance at management level
- Year-round assistance

Compliance

- Regulatory compliance with all applicable laws
- We use modern audit tools (including IT-support)
- Documentation of procedures and controls

SPC's Audit Approach

The proposal should set forth an audit approach and methodology to be used to perform the services. This may include a discussion of: approach to selection of sample size; use of specialized software; analytical procedures; approach to internal control structure; approach to determining laws / regulations subject to audit test work; identification of any anticipated problems, or special assistance required from City Staff; and the format of the report.

Our work plan addresses the City management and SBC team responsibilities, individuals assigned to tasks, and anticipated performance dates. We anticipate receiving from the coordinating body, at a minimum, all schedules, reports, internal auditor procedures, and all schedules needed to draft the financial statements and footnotes. The engagements will be cohesive and coordinated. We have assigned highly experienced individuals to each engagement to reduce hourly effort and involvement of the City management. As part of our audit planning process, we will develop finalized detailed work programs to address all relevant areas of the services to be rendered to the City. The SBC Audit Approach is based on the risk-based audit approach used by international firms but redefined by SBC for greater effectiveness and efficiency. Our audit is grounded on the principle that we should invest the most time evaluating the more material and greater risk of misstatement items. SBC's audit project management approach is the FORCAM methodology.

FORCAM is an acronym for Focus on Risks, Controls, Analysis, and Account Misstatement.

This approach is grounded in our top-down methodology where partners are involved early and throughout the process. This top-down approach fits into FORCAM as partners hold discussions with clients to understand the operations, risk, and how the client mitigates that risk through controls. From this understanding, partners direct staff to verify the information obtained in the discussions. This verification is performed at two levels: walkthroughs and testing. Specifically, our staff perform walkthroughs of key processes to observe the process and underlying controls in action. Staff then test a sample of transactions through the year to validate the control based on the discussed and observed process.

Following is a detailed explanation of each phase of our audit approach.

1. Planning – Understand the Client and Audit Risk

Understanding your business is an integral part of our audit. The purpose of this phase is to get to know the client and its industry, its operating pressures and other information about the client that will have an effect on the audit risk of financial misstatement. This includes our evaluation of the ethics and integrity of management and the environment in which the client operates, as well as issues facing the client. We review budgets and related materials, Federal grant activity, organizational charts, manuals, and programs.

2. Understand and Test the Design and Operating Effectiveness of Controls

In this phase of the audit, we relate all sources of financial statement risks to the process that controls that risk and identify what can go wrong in each process. For each "what can go wrong" for significant risk items, we identify the controls that mitigate the risk related to the "what can go wrong." We will then perform walkthroughs in which we observe each of the controls being performed and the documentation related to that control to be able to conclude on the design effectiveness of the control. We then perform detailed transaction testing to determine if the controls were operating effectively throughout the year and then will conclude on the design and operating effectiveness of controls. For any controls that are not designed or operating effectively, we will prepare management recommendations for you to improve your system of controls. During this phase, we will determine which controls we will rely upon.

3. Financial Close and Reporting Misstatement Analysis

We perform analytical analysis using a Financial Misstatement Analysis tool. This tool identifies ratios, benchmarks, third party information, and other items to compare against the amounts in the financial statements. The specifics of this tool and related attributes are designed at the partner level as part of the planning process. As an example, this tool would analyze the return from a specific fund by obtaining the published return for the fund and then calculating the plan's return in that fund. Any significant discrepancies are investigated.

4. Substantive Testing

From our review of controls and analytical analysis we plan what substantive testing we would perform and perform a review of the financial statements for appropriate disclosures.

5. GAAS Compliance Testing

During this phase, we complete the GAAS requirements not previously completed, such as obtaining legal and representation letters, searching for related party transactions, reviewing subsequent events and other GAAS requirements. This phase also includes presenting the audit results to the Board of Directors. We will have a presentation of the audit results we will present to the Board.

Benefits of the SBC Audit Approach

Your auditors should be accessible, committed, and ready to provide ideas that will support your organization. A good understanding of your business is critical to providing that service. The SBC audit supports the development of an in-depth knowledge of your business environment, business and risk control processes, and information systems. This audit approach focuses on identifying the business issues and risks most critical to the City and evaluates the way in which those risks are managed.

Assessing the effectiveness of client risk controls is an ongoing focus of the audit. By continually updating our understanding of how you control risk, we regularly reassess the frequency and timing of our audit procedures to ensure that our approach fits your risk profile.

Our audit team will work closely with the City management to identify key business processes that impact financial statements, determine the specific risks associated with them, learn what controls are in place to mitigate these risks, and determine the extent to which the controls need to be tested.

Improve business risk controls through:

- Focusing on business risks, controls, and risk and control monitoring practices
- Aligning the audit with the way management thinks about and manages the business
- Allowing us to apply knowledge we gain in performing a financial statement audit to help clients improve business performance and better control risks
- Increasing value and the quality of the relationship with the engagement team
- Encouraging a clear or mutual understanding of key business risks facing the City
- Identifying areas where we can help improve your business and risk control processes
- Communicating the scope, approach, and results of the audit more effectively
- Facilitating continuous auditing
- Reducing the emphasis of work traditionally performed at the end of the accounting period
- Decreasing demands on the time of your financial personnel and our auditors during traditional peak periods of activity
- Timing work to correspond with key changes in your business environment, processes, and systems

Unsurpassed Professional Expertise

A major differentiating factor among public accounting firms is the experience, commitment, and concern of the professionals who perform the work. SBC professionals demand the best of themselves for their clients. You will be able to expect the following from SBC:

- **Involvement** – Our partners and managers are dedicated to the City engagement and will be there to deal with issues that are important to you. Because they play a substantial role in any engagement, we give our seniors the ability to make decisions when decisions need to be made. Therefore, when we identify an issue, we are quick to find an efficient way to resolve that issue.
- **Responsive Service** – The City faces several challenges and requires its public accounting firm to respond and act promptly. We think of ourselves as the firm that works the hardest with and for you.
- **Substantive Business Advice** – Outside counsel is valuable only if it is there when you need it. Anticipating issues and coming forth promptly is a trademark of SBC service. Our partners have established a track record of helping define challenges before they become problems and identify opportunities before they slip away.
- **Open Working Relationships** – Clients derive the greatest benefit from a relationship with us through candid, open communication. We want the City to understand our services and expertise, just as we work to fully understand your mission. This relationship enables us to assist you in many important areas.
- **Attention to Detail** – Quality is the result of providing excellent service, doing more than expected, and paying attention to details. We train our people to evaluate a client's operation at the highest level of detail while not losing sight of the overall strategic direction.

Communicating Recommendations to Management

Our service philosophy is founded on the ability to create long-term relationships that continually provide value to our client. We prioritize communications plans to ensure that we are always on target with meeting your needs and exceeding your expectations. Our service methodology and account relationship philosophies include providing preventive, required, requested, and proactive services to our clients. This ideology ensures that our clients always receive a complete solution that addresses each area of their business. As such, our approach provides a total solution to the City and offers value by focusing on business risk, supporting constant communication, promoting early issue identification, leveraging best practices, and encouraging knowledge sharing. Feedback from our client is very important to us. Our effectiveness depends upon our ability to co-develop, renew, and measure achievements in meeting client expectations. Our goal is to meet and exceed your expectations in all that we do for the City. To accomplish this goal, we need to be available to you for real-time discussions of questions and issues. We commit to return all phone calls within hours of when they are made. Once we have discussed an issue, we will develop an approach-research plan and deadlines to ensure that we are "on the same page" and have a mutual understanding of expectations. The audit approach allows for "field-driven" decision making. We will issue a letter to management containing practical suggestions for financial reporting and improvement of internal control, accounting, operating systems, procedures, potential operating efficiencies, ideas on cost reduction and revenue enhancements.

Prior to issuing the letter, we will discuss our recommendations with management as they develop throughout the year to ensure that our understanding of the relevant facts is correct and to obtain the benefit of management's judgment. We will incorporate management's written response to our comments and suggestions in this letter.

We will also maintain contact with management throughout the year to stay abreast of developments and will provide our advice on these issues as they occur.

Risk Based Audit Philosophy

Our professional services are related, in the broadest sense, to the financial and accounting aspects of our clients' affairs. Our objective is to provide sound, practical business solutions to our clients' accounting, reporting, and related business requirements. Because our approach is customized for each client, those solutions will be responsive to the City's needs.

We measure our successes by the quality of our services. Most local and regional firms use standardized audit programs that treat all audits the same. Alternatively, the cornerstone of our service is a risk-based approach executed by competent people working in an environment that fosters innovation. We then measure our results by the quality of our contribution.

Our top-down approach to audit services places a premium on our ability to develop a thorough understanding of your business and make objective assessments of business and audit risks. Our approach is structured to ensure that we identify, discuss, and resolve issues early in the preliminary phase of our work by performing certain substantive audit procedures and maintaining communications with management. Enough planning, up front issue resolution, and timely communication will ensure there are no surprises. We have reviewed your request for proposal for professional audit services for the City. Based on this information, we have developed preliminary audit plans for the City, including a description of the services and the estimated number of hours for each segment.

These plans will be continuously refined as we discuss expectations with the City's management. The plans for the City were formulated considering our overall audit philosophy and methodologies described in this section.

This plan is based on our knowledge of the government industry and related issues, and from our engagement team's prior experience with similar organizations. This knowledge means we know what it takes to audit the City, utilizing a more efficient audit approach than used by other firms. We can gain this efficiency because of our risk-based approach and performance of experienced personnel involved throughout the audit. We will spend more time on the identification of issues, fact finding, resolution of issues and directing the work of all staff members. Continuous learning and training are extremely important, especially for our less experienced professionals, and will be no different on the City audit.

Although it is believed that every accounting firm can perform an audit, the value a client receives as part of that process varies widely. The difference between firms lies in the approach, commitment, concern, and competence of those individuals who perform the audit. Accordingly, we will devote significant time to planning, analyzing audit and business risks, and supervising and reviewing the audit team's work. Furthermore, we will devote considerable time throughout the year to providing both business and accounting consultation to you, as part of the ongoing audit process.

Our audit philosophy underscores a thorough understanding of our client's business and a critical, objective assessment of business and audit risks. Our audit is a value-added process designed to:

- Generate an efficient, cost-effective audit plan
- Facilitate early detection of issues to avoid year-end surprises
- Maximize the use of client personnel and resources
- Maximize the reliance on the internal control environment, including IT data processing controls, when appropriate
- Complete a substantial amount of the audit work prior to year-end, when practical
- Provide meaningful and practical management letter recommendations

We understand that you expect an audit that makes the best use of your time. We are committed to the following:

- Early audit planning and guidance to eliminate late surprises
- Leveraging the engagement partner's understanding of your processes and controls to reduce your time supporting the audit
- Utilizing our project management tools and techniques to effectively manage the audit.

The SBC audit is unique to our firm and founded on the principles of the risk-based audit approach used by international firms but redefined to be more effective and efficient. No other firm offers this auditing approach to their clients. Our audit is grounded on the ideology that we should spend the most time evaluating the more material and greater risk of misstatement items.

Type of Audit Program

We utilize customized audit programs based on our risk assessment along with standard programs to ensure we comply with GAAS, government and firm standards. We also use standard programs to test the Single Audit programs.

Based on the information gathered in the planning and understanding and testing of internal control structure phases, we will prepare an audit program taking into consideration the audit risk assessments developed for various transaction classes and accounts. The program will be tailored to focus the testing of the specific key points in processing and/or controlling financial information. After completion of the audit programs, we will meet with the City staff to discuss specific timing and assignment of the procedures.

Use of Statistical Sampling

Sample sizes will be determined based on statistically sound sampling plans. Samples for test of controls and test of compliance, including compliance with certain laws and regulations, are based on attribute principles. Substantive sampling procedures are normally weighted toward higher dollar items.

Use of Computer Audit Specialists

We recognize that the City audit requires knowledge of information technology processing risks. Our IT Risk personnel will assist with the IT risk identification and controls identification phase of the audit.

This integrated audit approach ensures that the IT risks within a process are properly considered, and the audit testing approach is properly designed to include a mixture of IT controls testing and end-user controls testing procedures. As a result, the use of IT risk personnel is seamless.

Staff Capability to Audit Computerized Systems

The City's information technology (IT) system provides significant benefits of effectiveness and efficiency to your internal control environment and operations; however, it also poses specific risks. Examples of those risks are as follows:

- Reliance on systems or programs that are inaccurately processing data, processing inaccurate data, or both
- Unauthorized access to data that may result in destruction of data or improper changes to data, including the recording of unauthorized or nonexistent transactions or inaccurate recording of transactions
- Unauthorized changes to data in master files
- Unauthorized changes to systems or programs
- Inappropriate manual intervention
- Potential loss of data
- Reliance on systems processing controls that are not designed or operating effectively

SBC will obtain a thorough understanding of the City's IT system and the related controls (including testing of such controls) that reduce those risks to a relatively low level by performing the following procedures:

- Inquire of the City's personnel on how data and transactions are initiated, recorded, processed, and reported and what IT controls are in place
- Inspect systems documentation
- Observation of IT control operation
- Planning and performing tests of IT controls
- Designing and implementing tests of controls and substantive tests related to IT systems, including the use of computer assisted techniques
- Interpreting test results
- Examining data files for possible irregularities
- Relate to traditional substantive audit work
- Review general controls

Our approach to IT systems testing is developed to the specific needs of each engagement. We utilize a wide range of technology and practice aids to bring the most appropriate solution to each client situation. In some instances, we download information to audit team members' personal computers in order to facilitate critical analysis procedures. In other circumstances, the client provides access to its computer systems, enabling our team to perform non-intrusive procedures directly on the target system.

In concert with the audit approach, our IT risk audit team will function as an integral part of the audit team to ensure risks and controls in a complex information systems environment are appropriately understood and tested. This provides the basis for determining the level of reliance that can be placed on information obtained from the identified business process.

This team will consist of information systems and accounting professionals trained and experienced in assessing the controls in critical business processes through the identification of technology related risks and the mitigating controls in place. Our team provides the technical expertise to fully assess the critical business processes supported or driven by today's information systems.

SBC is committed to the use of technology in the audit process and utilizes a variety of software and technical resources to do so. We recognize the importance of your financial statements and have sound quality control measures in place to ensure technically correct and aesthetically pleasing documents are created and distributed. One such quality control measure is ProSystem fx Engagement, software that enables us to maintain electronic workpapers. Because all the numbers entered into the system are linked between Word and Excel documents, the number of manual and clerical errors is drastically reduced. The ability to automatically sync workpapers between engagement team members also results in time saving throughout the audit, which translates into better cost-effectiveness and a higher return on investment for our clients. SBC also utilizes a client portal to transfer information electronically. Each client is issued a login and password to enable electronic transfers of confidential documents in a highly secured environment as an alternative to email communications.

Additionally, SBC has purchased, developed, and subscribed to many programs and periodicals to make our audits more efficient, better serve our clients, and increase the knowledge of our people. We subscribe to CCH's Accounting Research Manager ("ARM"), an internet-based client research tool. ARM places all accounting research information at our fingertips, so we can quickly and easily access new information. SBC also uses Ideal Extraction software to pull technical information for use in the audit.

In order to run the various software products, the firm has purchased, each partner, manager, senior, and staff has a laptop PC provided by the firm. Our professionals will provide integrated support to ensure that the most advanced analytical tools are applied to give you the highest quality, most cost-effective audit service available.

Our Approach

SBC's top-down approach involves partners and managers early in the audit process to direct seniors and staff. You will find our partners and managers more involved than a typical audit. During our interview, the partners and managers will discuss and understand your financial reporting and transactional processes. With this information, partners and managers will be able to direct the seniors and staff upfront in what they will be doing, which will include confirming the information the City has provided, as opposed to the traditional model where staff searches for understanding and then tests for confirmation. We can identify, evaluate, and resolve issues much faster, which allows us to work within your desired timelines. You will receive the experience, commitment, and quality of a large firm. This is evidenced by clean peer reviews, no issues from desk reviews or federal site visits, no outstanding or pending litigation, and no historical litigation or settlement with the firm or its members, principals, or managers.

Our audit process starts with partners and managers meeting with the City personnel to understand the underlying processes and accounting for amounts on the financial statements. This includes meetings to walk through the financial statements to understand each individual line item, the accounting for that line item, what composes the balance of the line item, underlying processes related to the line item, where the line item comes from (i.e., general ledger or annual type adjustment), how management validates the balance, who is responsible for the amount and any historical issues with that line item.

Once we complete this process, we then plan the audit engagement and assess financial statement risk based on this understanding. We direct our seniors and staff to validate the information shared earlier through internal control walkthroughs and related transactional testing.

We then compare the results from the walkthroughs and transactional testing to our previous understanding and discuss any discrepancies with you.

Additionally, at this point we can identify any accounting-based issues with amounts on the financial statements and discuss with you and develop a practical solution. Currently, we discuss new footnotes and any other financial statement disclosure items. This entire process is completed prior to your year end. Once your annual close is complete, we will start the substantive audit process. We start this process by completion of our financial misstatement analysis. This process is analytical procedure whereby we compare financial statement amounts to other data. This allows us to identify outliers in the amounts prior to testing and we modify our testing plan based on these results. This allows us to look for items as opposed to a testing approach that is finding items.

Effectively, if the analytics were to tell us that revenue was overstated (i.e., our calculation is lower than your amount), we would design our test approach to identify the potential items that could cause an overstatement of the amount or provide the data that makes the difference reasonable.

In reviewing the financial statements, we link the amounts back to our financial misstatement analysis and substantive procedures. We review the footnotes for disclosures and have SBC members independent of the engagement review the financial statements.

Our process calls for a review of the prior year statements and notes to be performed, such that we would have effectively signed off on the structure of the financial statements and related disclosures and cleared any potential issues prior to your year-end close. This causes the end of the audit to be very uneventful and allows for issuance of statements in a timely manner.

Throughout the entire audit process, we are constantly reviewing for potential deficiencies in the underlying processes and will communicate those to you real time. Additionally, we constantly challenge our process to identify potential improvements and best practices in processes. Since our partners and managers are significantly involved early and throughout the entire process, we are quick to identify these items and bring them to resolution.

Type And Extend of Analytical Procedures to be Used in the Engagement

Traditional Analytics

SBC employs a Financial Misstatement Analysis (FMA) tool on all engagements. This tool performs a detail analysis of each financial statement balance looking for accounts that have a higher risk of misstatement. This tool employs predictive tests, reasonableness tests, relationships, comparisons, and other analytical procedures based on our understanding of the City, our knowledge of its operations, prior results and relationships to transactional testing procedures in our internal controls procedures.

Data Analytics

Data analytics are incorporated into and are an integral part of SBC FORCAM audit approach. The use of data analytics exponentially increases the effectiveness of the audit process. SBC's data analytic methodology is a systematic five phase process designed to reinforce the knowledge of known risks and identify potential unknown risks.

Data Determinations and Retrieval

As part of this stage, we work with management to determine the availability of data, how such data is structured and formatted, and coordinating for retrieval and transfer of data in a manner that is unobtrusive to normal operations.

Analytic Analysis

During this stage, we analyze the data using powerful tools that allow our data analytic team members to slice and dice data and identify potential anomalies or non-conforming transactions. This is a 100% review of the selected data set and provides greater precision of identification of risks then the traditional statistical sampling approach.

Finalize Results and Confirm Results

This stage takes the items identified as potential issues and allows our team members to specifically analyze the specific transaction that causes the potential issues. We then confirm the facts of the underlying issue to conform whether the identified item is a "real" issue, or such items have rationale explanations. We then categorize the findings into three main areas: issue, potential issue, and resolved.

As we tabulate the results of the analytics, we bear in mind that too many "rational" explanations can cause additional risk and we are able to identify common and frequent "rational" explanations to ensure full risk coverage.

Approach to Gain and Document an Understanding of the City's Internal Control Structure

SBC's audit approach employs a process to relate all sources of financial statement risks to the process that controls that risk and identify what can go wrong in each process. For each "what can go wrong," we identify through discussions with management the controls that mitigate the risk related to the "what can go wrong" issue. We then perform walkthroughs in which we observe each of the controls being performed and the documentation related to that control to be able to conclude on the design effectiveness of the control. We then perform detail transactional testing to determine if the controls were operating effectively throughout the year and then will conclude on the design and operating effectiveness of controls. For any controls that are designed or operating ineffectively, we will prepare management points for you to improve your system of controls. We also will review the general and specific electronic data processing controls that are in place and test those in a manner similar to that above.

Approach to be Taken in Determining Laws and Regulations That Will be Subject to Audit Test Work

Governments must make it possible to determine and demonstrate compliance with laws, regulations, policies, and procedures. We understand that governmental financial operations evolve from and are regulated by various legal provisions.

Auditing standards require that our audits be designed to provide reasonable assurance that the financial statements are free of material misstatements resulting from noncompliance with laws and regulations, contracts, grants, and other matters that have a direct and material effect on the determination of financial statement amounts. Many of our team members have working knowledge of laws and regulations that are applicable to the City. The determination of laws and regulations will be addressed in the planning stage of our audit. During our planning phase of the audit, we will meet with management to understand management's knowledge of laws and regulations that affect the City and management's rating of the risk assessment of those laws and regulations. We will review the City code, Maryland state code, and Federal Code.

From this review and discussions with management, we would perform a risk assessment of the laws and regulations to identify the laws and regulations that will be subject to audit test work.

Our approach to determining the laws and regulations to be tested as a part of the audit includes the following procedures:

- Perform inquiries of the City personnel
- Review minutes to the City meetings
- Review agreements, contracts, and other applicable documents
- Review past compliance findings
- Obtain any federal or state agency monitoring reports
- Review laws and regulations related to financial, accounting and purchasing matters
- Review financial and personnel policies
- Review the OMB Compliance Supplement for major federal programs

Approach to be Taken in Drawing Audit Samples for Purposes of Tests of Compliance

The use of sampling is an integral part of our audit approach. To accomplish this activity, we use practical tools that allow for the effective use of statistical techniques by our engagement teams. Our primary objective for sampling is to comply with professional standards, ensure we test a sufficient number of items in the population to have a basis to draw our conclusion on the area being tested and to design a testing plan that is efficient and effective. Our sampling approach is assisted by the use of software to calculate our sample size, generate random numbers, and summarize the results of our sample. The steps to our sampling techniques include: (1) plan sample sizes; (2) select sample items; and (3) evaluate sample outcomes. Determining which type of sampling method and selection method that we use will depend on the expected errors in the population, how material the area is, the level of reliance on the controls over the area and whether we are performing a primary or secondary test. Whenever we need to project the sample results to the entire population, we use statistical sampling.

The following sampling and selection methods are utilized by the firm:

Sampling Methods	Selection Methods
– Judgmental – Systematic – Statistical ▪ Attribute ▪ Variable ▪ Murphy Unit Sampling (MUS)	– Random – Systematic – Haphazard (i.e., without bias) – Judgmental

For an AICPA accepted attribute or variable statistical sampling, a random selection is required.

Test of Controls

On most audit engagements, for our test of controls, we use the AICPA accepted sampling approach, which requires a random sample of 25, 40 or 60 selections depending on our expected numbers of errors in the sample and our desired level of combined risk that is acceptable.

If we expect more than 3 errors in our sample or need to state the results in a percentage of comfort, we use an attribute sampling method. For controls test in which we are testing a control on which we intend to place primary reliance and the attributes are material, we test to a low level of combined risk. For a secondary control or where we plan to also perform significant substantive testing, we test to either a moderate or slightly below maximum level of combined risk (depending on other procedures performed). We should use statistical sampling when we expect significant errors and need to project our sample results to the entire population. Due to the level of reliance, we will place on controls, we will use a statistical sample (attribute) with a 95% confidence factor and 3% tolerable error rate.

Substantive Testing

For most substantive testing, we normally use a stratified sample selection approach where we select large and/or unusual items for testing and then select a sample from the remaining population, ensuring all of the remaining population has a chance of selection. We would use a statistical, MUS or judgmental method for the non-high dollar/unusual items.

AICPA Allowable Sampling Method (Non-Mathematical Statistical)

	Number of Expected or Actual Deviations			
Planned Assessed Level of Control Risk	0	1	2	3
Low	60	*	*	*
Moderate	25	40	60	60
Slightly Below Maximum	*	25	25	40
Maximum	*	*	*	*

**Use of other form of sampling is required*

Identification of Anticipated Audit Problems

SBC does not feel there are any potential problems or for your engagement. We believe our audit approach and engagement process is designed to quickly identify and resolve problems to meet your established deadlines. Based on our experience auditing entities like the City, we do not anticipate any potential problems that cannot be appropriately resolved in a timely manner. For the new accounting standard surrounding Lease, additional procedures will have to be completed to test the accuracy and completeness of operating leases entered by the City. We will work with the City in an upfront manner to assist in the design of controls and processes to alleviate any potential opinion issues in future years related to this information.

Single Audit Approach

The SBC Single Audit approach is based on a risk-based audit approach that incorporates all required rules and regulations of the Office of Management and Budget (OMB) 2 CFR Part 200 (previously Circular A-133 and denoted as single audit herein), while following a top-down audit risk approach for each program being tested. This risk-based audit approach allows SBC to gain a thorough understanding of the City 's internal controls in place over their Federal programs and the specific controls over the programs being tested. Based on the operating effectiveness of the controls in place and risks related to the programs, SBC tailors our audit program to address the specific requirements per the OMB and the risks identified. SBC incorporates our single audit testing with our financial statement audit testing, when possible, as we find this process more efficient and less disruptive to the client. SBC's seven phase single audit approach is displayed on the following page,

1. Extensive Planning and Major Program Selection

During this phase, we would have an entrance meeting with the City to obtain an understanding of the programs to be tested based on their major program selection process. This meeting would include the more experienced members of the engagement team, partners, and managers, to ensure our top management is involved in the process from the beginning to the end. During this meeting, we would obtain an understating of the City's expectations of SBC and understand what SBC can expect of the City. This front-end involvement minimizes your effort, makes the process more efficient and helps to avoid surprises. During this phase, we would discuss the work papers and templates to be utilized during the single audit process to make the process as efficient and streamlined as possible. During this phase, we would meet with the assigned manager to your programs to establish a preliminary timeline of the key dates and meetings that need to take place during the process. We would also obtain an initial risk assessment of the programs from the City team based on their experience with the departments and the programs.

2. Understanding the Programs and Risk Evaluation

An integral part of our audit is fully understanding the purpose, specific requirements and outcomes of the Federal program(s) and understanding the City's department responsible for carrying out the program. One of the purposes of this phase is to ensure the engagement team has a thorough understanding of the Federal program(s) being tested. This is accomplished by performing the following:

- Obtain the latest compliance supplement applicable to the program's CFDA number and fiscal year being audited.
- Review OMB website to identify any changes to the programs during the last year.
- Obtain a copy of the grant agreement from the department responsible for the program.

- Obtain copies of the last two years of audit findings and their status.
- Obtain copies of any correspondence from the Federal awarding agency or cognizant agency related to the programs being tested.
- Have an engagement team meeting to discuss the program, brainstorm on possible risks and share knowledge of program and issues based on prior experiences with the programs.

Another purpose of this phase is to get to know each of the City's departments responsible for carrying out the Federal programs being tested. We would obtain an understanding of the department's internal control structure, operating pressures, their knowledge of the program requirements and other information about the department that will have an effect on the audit risk of the Federal program. This includes our evaluation of the ethics and integrity of management and the environment in which the department operates.

3. Analysis of Program Expenditures and Cash Receipts

During this phase, we obtain the breakout of the year-to-date program expenditures for each program being tested. We will request the expenditures be broken out by function so they may be categorized as follows:

- Direct payroll/salary,
- Subcontractor/vendors,
- Sub-recipients,
- Benefit payments,
- Capital/fixed asset expenditures,
- Indirect cost pool expenditures, and
- Other

These categories will allow SBC to better understand how the Federal funds are being expended. We would then use this information to perform a materiality calculation to use as guidance in selecting samples for testing throughout the single audit process. We would also perform some high-level financial analysis on these expenditures. For example, we may compare the expenditures to the program budget established for this program and obtain an understanding of significant variances. We may compare the percentage of each category of expenditures to total expenditures and assess whether the percentage is reasonable based on the purpose of the program. For example, if benefit payments for the Food Stamps cluster for the Department of Health and Social Services was 50% of the program expenditures, SBC would meet with the department and inquire further about the accuracy of the expenditure amounts and why this percentage is so low for that program. We would also ensure the total expenditures agree to the Schedule of Federal awards to ensure we have the total population of expenditures for the program.

During this phase, we would also obtain detail of all cash receipts and draw-downs for the program. We would use this information to test as part of the cash management and reporting testing. We would also compare the total receipts to the current year expenditures for reasonableness.

4. Evaluation and Testing of Internal Accounting and Compliance Controls

In this phase of the audit, we will identify all of the processes involved in carrying out the 14 compliance requirements of the Federal programs, i.e. expenditure cycle (including benefit payments), cash receipts, eligibility, etc. We would then conduct interviews with the various process owners to assess the controls in place to ensure all 14 compliance requirements are met. Based on our experience, we know there can be problems in identifying the proper personnel to provide the needed information to understand the full process. We would work closely with our main point of contact at each department and with the City to help in this process. When assessing internal controls for each of the 14 compliance requirements, SBC looks at the characteristics of internal control as presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report). They are:

- Control environment reflects the tone set by top management and the overall attitude, awareness and actions of the board of directors and management concerning the importance of internal control.
- Risk assessment is the entity's identification and analysis of relevant risks to the achievement of its objectives.
- Information and communication supports the identification, capture, and exchange of timely information that enable management and personnel to carry out their responsibilities.
- Control activities are the policies and procedures that help ensure that management's directives are carried out.
- Monitoring is the process that assesses the quality of internal control performance over time.

We relate the sources of internal control risk and compliance risk to the process that controls that risk and identify the "what can go wrong" in each process. For each "what can go wrong" for significant risk items, we identify the controls that mitigate the risk related to the "what can go wrong". We will then perform walkthroughs in which we observe each of the controls being performed and the documentation related to that control to be able to conclude on the design effectiveness of the control. We then perform detail transaction testing to determine if the controls were operating effectively throughout the year and then will conclude on the design and operating effectiveness of controls and on the combined risk assessment. For any controls that are not designed or operating effectively, we will consider the need for a single audit finding based on the impact of that ineffective control on the compliance requirements.

During this phase, we will determine which general and specific IT/EDP controls the department places significant reliance on in order to maintain compliance with the Federal program. We would determine the type of EDP controls testing needed to conclude on the existence and operating effectiveness of those controls. Sampling techniques would be used in order to determine the sample sizes for various tests of controls. We would discuss the sampling methodology the City would like to use in determining these sample sizes during out planning phase.

5. Testing of Compliance Requirements (General and Specific)

During this phase, we would complete the general and specific compliance testing for all 14 compliance requirements. We would use the results of the internal control assessments from above to assist in the determination of the sampling scope for the various compliance testing. We would also use dual testing whenever possible during the internal control and compliance testing.

SBC develops the testing to be performed for each compliance requirement based on 1) review of the suggested procedures in the compliance supplement(s) for the programs; 2) the result of the internal control assessment performed in the previous phase and the resulting risk assessment; and 3) our past experience with the programs. We would work with the City in understanding your desired level of involvement in finalizing the work program for each department. As we are performing our compliance testing, any issues or possible findings will be discussed timely with the appropriate person at the respective departments. We will make the City aware of all issues. SBC uses an issues matrix tool to track all issues by program. This matrix identifies the issue; the person responsible for bringing closure to the issue; the discussion held with department management about the issue; and the final conclusion on the issue and if there is a resulting finding. This issues matrix would be shared with the Auditor General on a regular basis to keep them abreast of the issue and the status. Also, during this phase, we will perform any additional procedures that may be needed to provide an update on prior single audit findings or validate the department's status of those prior findings.

6. Drafting and Issuing Findings and Reports

Based on the above testing, we will prepare any findings in accordance with OMB requirements. Those findings would be discussed with the Auditor General and applicable City personnel. We hold exit meetings with each department to discuss all potential single audit findings. This discussion will help to ensure the information in the finding is factually correct. We would also provide the department with a defined amount of time to provide remedy for any of the findings, and subsequent to that period, a formal response from the department would be obtained. We would then share the final auditor's reports and the findings with the Auditor General and the Office of Budget. Finally, we will prepare the following items electronically and send them to the City:

- Report of Independent Public Accountants on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance
- Summary of Findings and Question Costs
- Federal Award Findings and Questioned Costs
- All work papers

Our timeline will be developed to provide the above information to the City by the required deadline. We will also be available after that process to assist the City with report preparation and the single audit report review process. As well as any assistance that may be needed related to the completion of the data collection form.

7. Wrap – Up and Debriefs

We will meet with the City to discuss how the audit process went and what can be improved for the next year. This is a great opportunity to discuss the process and think about steps that can be made to make the single audit more efficient and effective.

Single Audit Reporting Requirements

During the course of each single audit, SBC updates the Single Audit Reports to ensure compliance with the latest requirements (which are often issued after a year end but required to be retroactively applied). Bill Seymour attends the semi-annual Single Audit Roundtable where practitioners meet with the Inspector General community to discuss Single Audits performed, updates to requirements, and discuss the expectations of the Inspector General community. We take that information and incorporate it into our single audit process. As you are aware, in December 2014, it is expected that Uniform Grant Guidance will take effect. This guidance will have a profound effect on the Federal granting community, grantees, and auditors. Once selected, we would immediately work with the City on the implementation strategy for this new guidance. In our current single audits, we are using the current year audit to advise clients where there may be future findings based on the current draft of the guidance, allowing our clients to implement changes prior to such items becoming findings. We would meet with the Finance and Audit Committees and City staff to discuss these changes and discuss any potential gaps and the City's strategy to remediate such issues.

The City's Involvement

Involvement of management personnel is an essential component of our audit process; however, SBC understands the importance of minimizing disruptions to your operations throughout the audit. Our approach entails that we try to use existing schedules utilized by the City to perform our audit procedures and eliminate the preparation of audit-only schedules. We will provide a list of the information needed and we will work together to determine if there are existing schedules that can be used. We have found that this approach minimizes the demands on your staff and helps us to understand how the organization analyzes its accounts on a monthly basis. We do not provide checklists for you to complete—we ask questions that identify the areas of most importance to your operations to minimize demands on your staff. SBC will draft the financial statements to further reduce your efforts on the audit.

Reports to be Issued

SBC has reviewed your RFP, and we can confirm that we demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this request for proposals. We have the staffing, resources, and capability to complete the requested deliverables in a timely manner. Please see page 15 of this proposal that highlights an in-depth understanding of our risk-based audit approach.

SBC understands that following the completion of the audit of the fiscal year's financial statements, SBC shall issue the following:

- Signed Independent Auditors' Reports for the City.
- Independent Auditor's Report 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
- Independent Accountant's Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets
- A Management Letter addressed to the City Council recommending improvements to the City's internal controls that are otherwise non-reportable
- The auditor shall communicate in a letter to the City Council and the City Manager any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Non-reportable conditions discovered by the auditor shall be communicated in the Management Letter, as noted above.
- The auditor shall be required to make immediate written notification to the City Council, City Manager, and City Attorney of all irregularities and illegal acts or indications of illegal acts of which the auditor becomes aware.

SBC understands that due to the fluctuation in the receipt of special grant funds, the need for some reports will be based upon whether the City meets the audit threshold for the specific program(s). We comply that the City may periodically request an audit of transient occupancy taxes collected by one or more of the hotels located within the City.

Timeline

Provide an indication of the time required for the completion of each major phase of the project. Any assumptions regarding turnaround time for City Staff or City Council review should be clearly noted. Also provide a calendar as to when the firm will commit to completing work described in this proposal. Please note that Auditor is responsible for identifying required review times for City input and must account for printing and distribution within any timelines identified in the Scope of Work.

An entrance meeting will take place with management upon award of the engagement. We would establish a mutually agreeable timeline to meet the deadlines. SBC completes audits in an efficient and timely manner that matches the requests of your RFP. Our firm operates by utilizing self-observed deadlines and standard protocol to ensure your financial work is completed in a timeline that adheres to your standards. A timeline we would expect to follow based on the information provided in the RFP is included below.

	Step	Discussion	Timing
Ongoing discussions, communication, status reports	Entrance Meeting	Discuss fiscal year projected results, major programs, timing; first audit procedures	Approximately within 2 weeks of award
	Requested Schedules	Provide requested schedules (PBC listing) after entrance meeting	July
	Internal controls procedures	Perform preliminary work to document internal controls and other processes	July/August
	Substantive Procedures	Perform substantive testing over final balances and performance of GAAS required items	October
	Financial Reporting	Completion of financial statements and meeting with management to review report; clearance of final open items and recommendations with management	October
	Presentation	Board Presentation of audit results	TBD

SBC City Experience

Provide a listing of all cities for which the firm has performed audits during the last three years.

- City of Annapolis, MD
- City of Aberdeen
- City of College Park, MD
- City of Dover, DE
- City of Hagerstown, MD
- City of Hazleton, PA
- City of Philadelphia, PA
- City of Seat Pleasant, MD
- Housing Authority of the City of Annapolis
- State of Maryland - Baltimore City Community

Similar Engagements With Other Government Entities

Provide three references for your most representative projects including the following: Name of Public Agency, name and title of contact person, telephone Number of contact person, size of general fund budget for the year most recently audited, size of agency finance department staff, brief description of the scope of the audit performed.

Client	Scope of Work	Date of Performance	Engagement Partners	Total Hours	Client Contact
Frederick County, Maryland	Financial Statement Audit; Single Audit	2011 to present	Chris Lehman William Seymour	750	Erin White Deputy Director of Finance 301-600-1193 ewhite@FrederickCountyMD.gov
City of Hagerstown, Maryland	Financial Statement Audit; Single Audit	2008 to present	Chris Lehman William Seymour	250	Michelle Hepburn Director of Finance 310-766-4160 mhepburn@hagerstownmd.org
Kent County	Financial Statement Audit; Single Audit	2015 to present	Chris Lehman William Seymour	500	Ms. Patricia Merritt Chief Financial Officer 410-778-7478 pmerritt@kentgov.org
Town of Ocean City	Financial Statement Audit; Single Audit	2008 to Present	Chris Lehman	400	Chuck Bireley Finance Director 410-289-8941 cbireley@oceancitymd.gov
Town of Centreville	Financial Statement Audit	2016 to present	Chris Lehman	150	Karen Luffman Director of Finance 410-758-1180, kluffman@townofcentreville.org

SBC's Qualifications

We understand that during the course of the engagement, there will be changes in accounting standards and audit standards that will affect the audit process. Our process is to proactively work with the City on these items prior to the implementation date to smooth the implementation process and reduce the number of last-minute changes to financial statements or audit procedures. As noted below, we do not change fees because of new standards and will work proactively with you to adopt new standards.

For instance, GASB 87, Leases, will become effective in 2022, one of the first items we will do is work with you during the preliminary procedures to understand how the implementation process for the standard is working, consult and discuss your approach, and sign off on such approach. If we have items for discussion it will happen at this time. Thus, when you complete the implementation and present the financial statements with the GASB 87 information, we would have already agreed on the presentation. We simply then audit the information to ensure that it is materially correct. This allows us to reduce the last-minute changes and make the implementation process as easy as possible. We will do this on all new GASB's during the engagement period.

Continuing Education

We ensure that all our audit personnel attend at least eighty hours of training each year to ensure quality control. SBC ensures all personnel working on government and single audit engagements have the required CPE credits of eighty in total biennially, with twenty-four credits, specifically Yellowbook related. The firm is actively involved in the Government Finance Officers Association (GFOA), the GFOA-Pennsylvania (PA), and the Maryland Government Finance Officers Association (MDGFOA). Our personnel regularly attend continuing professional education training and quarterly and annual conferences for these organizations. We maintain the quality of our staff through our professional development program which consists of formal classroom training, attendance at conferences and conventions, required self-study, webinars, industry participation, and on the job training. Our partners also work closely with our staff to ensure that our people maintain their technical compliance. SBC's personnel participate in general and industry-specific continuing professional education ("CPE") and professional development activities that enable them to accomplish assigned responsibilities and satisfy applicable CPE requirements of the AICPA, state CPA societies, state boards of accountancy, and other applicable regulators. Our people attend over eighty hours of continuing professional education per year in subject matters related to:

- Audit, Tax, Reporting
- Industry Topics
- Personal Development
- Business Knowledge
- Strategic Thinking
- Firm Methodologies
- Leadership
- Professionalism
- Decision Making
- Ethics
- Technology/ Computer
- Risk/Fraud/Controls
- Specialty Areas
- Communications

The following is a listing of some of these courses our staff is required to take:

- How to Perform an Audit of State or Local Government
- Single Audit Updates
- Audit Requirements of 2 C.F.R. Part 200
- Effective Yellow Book Audit
- Joint & Indirect Cost Allocations for Government & Not-for-Profit Organizations: How to Prepare an Audit
- Solving Complex Single Audit Issues
- GAO Standards: Revised Yellow Book on Government Auditing Standards
- Government Accounting Principles
- Government Accounting and Auditing Update
- Government Auditing Standards and Compliance Update
- Single Audit Requirements for Nonprofit and Governmental Organizations
- Ethical Standards

PRICING

Provide fee information on the Not to Exceed Price for Proposed Services Schedule for the completion of the projects described in the Scope of Auditor Services section. The total maximum bid price is to contain all direct and indirect costs, including all out-of-pocket expenses. Costs and total hours required should be specified for each fiscal year. The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs shall not be included in the proposal. Include an hourly fee quotation for all positions to be assigned. Identify an estimate of any reimbursable or non-direct costs, which would be applicable to the completion of the work. Identify proposed method of adjustment, if any, in the cost of services through subsequent years of the engagement.

Our operation methodology differs from other firms. All of SBC offices and partners are client serving. By having 100% client service offices and partners, SBC reduces the need to have large overhead charge accumulate to high levels. We can pass the savings along to you. SBC assumes there are adequate controls in place at the City to provide SBC with the necessary documents and reconciliations to facilitate the audit process. SBC provides an all-inclusive fix fee. We stand behind our fee. If our estimate of the hours is incorrect, we will still stand by our fee quote. We propose fees as outlined below to complete the requested services. Our calculated fees include hours for our year-round meetings to consult on technical matters that may arise throughout the years and hours to adopt new standards. That time is our investment in our relationship with you and does not result in additional billing. Our fixed fee for the City's requested services listed in your RFP are outlined below and can also be found on the 'Background Information' form, included in the Appendix section of this proposal.

Fees

Deliverable	2022	2023	2024	2025	2026
Financial Statement Audit and management letter	$19,500	$20,000	$20,500	$21,000	$22,000

Additional Audit Reports

Deliverable	2022	2023	2024	2025	2026
Single Audit	$4,000	$4,250	$4,500	$4,750	$5,000
Transient Occupancy Tax	$2,500	$2,750	$3,000	$3,250	$3,500
Total	$6,500	$7,000	$7,500	$8,000	$8,500

Hourly Rate

The furnished standard billing rates for classes of professional personnel is listed below. If there are services needed that fall outside the services included in the RFP, we would bill at these rates.

	Hours	Rate
Partner	14	$225
Manager	26	$175
Senior	40	$130
Staff	60	$110

Out of Pocket Costs

SBC's fee is all-inclusive, and we do not anticipate any out-of-pocket expenses unless we would be required to travel out of the Maryland metropolitan area.

Overruns and Surprise Billings

Many professional firms invoice their clients an allocation of office administrative expenses (e.g., rent, technology, administrative support staff, etc.) as part of requested reimbursement for expenses, while others give one fee quote and then bill additional amounts without discussing the additional bills before incurring the time.

Our practice in billing clients is to live by the fee commitment we make to a client, even if our estimate of the time to complete the engagement is incorrect. If we incur additional time for additional services that are not part of the original scope of services, we will discuss the services with you in advance along with our estimate of the fees to be incurred. This practice ensures there are no surprise billings.

APPENDIX

The following items can be found in this section:

Engagement Team Resumes

Peer Review Report

Background Information Form

SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

WILLIAM SEYMOUR

CPA, CGMA
ENGAGEMENT PARTNER

CONTACT

410-584-1404
410-584-0061
wseymour@sbandcompany.com

EDUCATION & CERTIFICATIONS

Bachelor of Science in Accounting
Towson University

Certified Public Accountant (CPA)

PROFESSIONAL ASSOCIATIONS

- American Institute of Certified Public Accountants (AICPA) – Past member of Executive Committee to State & Local Government Employee Benefit Plan Quality
- Maryland Association of Certified Public Accountants
- Maryland Association of Nonprofit Organizations
- Enhanced Peer Reviewer Status
- Adjunct professor at Towson University

PROFILE

William (Bill) is a Partner at SBC and has more than 20 years of experience in public accounting. Before he joined SBC, Bill spent time at the global firm Arthur Andersen, LLP, where he was a part of its Mid-Atlantic State and Local Government Practice. Bill Leads SBC's public sector and has served many state and local government entities throughout his career.

Bill is a GFOA Certificate reviewer and is active in the industry, attending many GFOA, GFOA-PA, AICPA, and AGA events. He has testified on proposed government accounting standards to GGASB. Additionally, Bill has taught and spoken at several MDGFOA events. He is a past member of the Executive Committee of the AICPA, Government Quality Center.

SELECT EXPERIENCE

Cecil County, MD
Charles County, MD
City of Baltimore, MD
City of Dover, DE
City of Hazleton
District of Columbia
District of Columbia Highway Trust Fund
DC Unemployment Insurance
Frederick County, MD
Harford County, MD
Harford County Public Schools
Harrisburg Housing Authority
Howard Community College
MissionSquare
Lancaster County, PA
Maryland Department of Transportation
Maryland Supplemental Retirement Plans
Maryland Transportation Authority
Maryland Unemployment Insurance
Metropolitan Washington Airports Authority
Benefit Plans
Prince Georges County Memorial Library System
St. Mary's County, MD
Susquehanna Township, PA
Town of Bel Air, MD
Town of Garrett Park, MD
Town of New Windsor, MD
University System of Maryland
U.S. Department of Housing & Urban Development
Washington County, MD
Washington Suburban Transit Commission

SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

CHRISTOPHER LEHMAN

CPA, MBA
AUDIT PARTNER

CONTACT

410-584-2201
410-584-0061
clehman@sbandcompany.com

EDUCATION & CERTIFICATIONS

Bachelor of Science in Accounting
Towson University

Master of Business Administration
University of Baltimore / Towson University

Certified Public Accountant (CPA)

PROFESSIONAL ASSOCIATIONS

- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Maryland Association of Certified Public Accountants
- Association of School Business Officials
- Enhanced Peer Reviewer
- Maryland Government Finance Officers Association Trainer

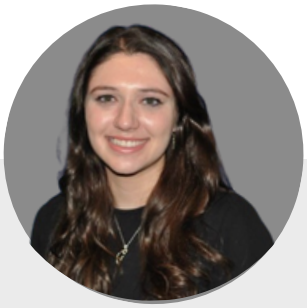
PROFILE

Christopher (Chris) is a partner at SBC with 16 years of expertise providing financial auditing services for numerous clients in the government industry. He is accustomed to working in a customer service environment with a fast-paced, deadline-driven atmosphere. He will have day-to-day oversight, contact with the client and play a key role in decisions on all significant issues. As Chris has served many government clients, he understands regulations and reporting requirements. Chris has served as both a teacher and guest speaker at Maryland Government Finance Officers Association (GFOA), GFOA-PA Central Region, and GFOA Washington Metropolitan Area.

SELECT EXPERIENCE

Anne Arundel County, MD
State of Arizona Deferred Compensation Plan
Calvert County, MD
City of Baltimore, MD
Town of Bel Air, MD
Cecil County, MD
Town of Centerville, MD
Charles County, MD
College Savings Plans of Maryland
District of Columbia
Frederick County, MD
Frederick County Public Schools
City of Hagerstown, MD
Harford County, MD
Harrisburg Housing Authority
City of Hazleton, PA
Kent County, MD
Lancaster County, PA
Maryland Department of Housing and Community Development
Maryland Department of Transportation
Maryland National Capital Park and Planning Commission
Maryland Supplemental Retirement Plans
State of Maryland
New Castle County, DE
Northumberland County, PA
Town of Ocean City, MD
City of Scranton, PA
St. Mary's County, MD
St. Mary's County Public Schools
Talbot County, MD
Susquehanna Township
Washington County, MD
Wilmington Housing Authority

SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS



TOBI HOLLANDER

CPA
ENGAGEMENT MANAGER

CONTACT

410.584.2202
410-584-0061
thollander@sbandcompany.com

EDUCATION & CERTIFICATIONS

Bachelor of Science in Accounting
University of Baltimore

Bachelor of Science in Business
University of Baltimore

Certified Public Accountant (CPA)

PROFESSIONAL ASSOCIATIONS

- ·American Institute of Certified Public Accountants (AICPA)
- Government Finance Officer's Association (GFOA)

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PROFILE

Tobi is a senior manager with more than eight years of experience at SBC. She has successfully worked in a variety of industries, focusing on compliance testing, substantive testing, and internal controls. Tobi has served our nonprofit, government, educational, and corporate clients. Tobi manages engagements to ensure that they are executed in accordance with the plan and that risks are properly addressed in a timely manner. She works closely with the client to ensure that they are aware of the status of the audit.

SELECT EXPERIENCE

Aggregate Industries, Inc.
Arundel Community Development Services
Baltimore Gas & Electric
Baltimore Metropolitan Council
City of Seaford, DE
Frederick Community College
Gilman School
Healthy Neighborhoods
Holcim, U.S.
Howard Community College
Lafarge N.A.
Philadelphia Housing Authority
Washington Gas Light

SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

JULIE PARIS

CISA
IT RISK MANAGER

CONTACT

443-353-5450
410-584-0061
jparis@sbandcompany.com

EDUCATION & CERTIFICATIONS

Bachelor of Science in Business Administration
University of Baltimore

Certified Information Systems Auditor

PROFESSIONAL ASSOCIATIONS

- ·Information Systems Audit and Control Association (ISACA)
- American Institute of Certified Public Accountants (AICPA)

PROFILE

Julie is a valuable addition to our IT Audit Team. She has been with SBC for more than two years. As an IT Risk Manager, she brings a unique wealth of experience understanding technology in a technical and comprehensive way that many IT auditors do not. She understands the entire life cycle since she supported various companies in determining their system and database needs and assisted with the development and implementation of enterprise application financial software needs and modifications for several clients. Previously, she had provided systems analysis, design programming, software training and implementations to address the everchanging needs of the business community.

With an accounting degree and experience conducting IT audits, Julie manages large, complex engagements maximizing our team's ability to communicate effectively with IT and lends her strong intuition and technical knowledge to assess IT risks and controls.

SELECT EXPERIENCE

Baltimore City Community College
Baltimore City Public Schools
Baltimore Curriculum Project
Frederick Community College
Gilman School
Girls Global Academy Public School
Global Citizens Public Charter School
Harford County Public School System
Hope Community Charter School
Howard Community College
Howard University Public Charter School
I Dream Public Charter School
IDEA Public Charter School
LAYC Career Academy Public Charter School
Morgan State University
Richard Wright Public Charter School
Sandy Spring Friends School
St. Mary's County Public School System
University System of Maryland

DELUZIO & COMPANY, LLP

Lisa M. Altschaffl, CPA
Jeffrey P. Anzovino, CPA, MSA
Cole F. Beehner, CPA
Joseph E. Petrillo, CPA
Stacey A. Sanders, CPA, CSEP
Daniel W. Wilkins, CPA

Report on the Firm's System of Quality Control

To the Partners of SB & Company, LLC
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of SB & Company, LLC (the firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

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

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

Required Selections and Considerations
Engagements selected for review included engagements performed under *Government Auditing Standards,* including compliance audits under Single Audit Act, audits of an employee benefit plans, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion
In our opinion, the system of quality control for the accounting and auditing practice of SB & Company, LLC, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2021, 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. SB & Company, LLC has received a peer review rating of pass.

Deluzio & Company LLP

Deluzio & Company LLP
January 28, 2022

BACKGROUND INFORMATION

NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

In accordance with the Request for Proposal for Audit Services issued by City of Glenarden, the firm referenced below hereby submits the following cost proposal:

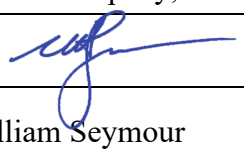
	Year Ended June 30th				
	2022	**2023**	**2024**	**2025**	**2026**
Basic Reports to Be Issued					
City Audit & Management Letter					
Total	$19,500	$20,000	$20,500	$21,000	$22,000
Additional Audit Reports To Be Requested At City Option					
Single Audit	$4,000	$4,250	$4,500	$4,750	$5,000
Transient Occupancy Tax	$2,500	$2,750	$3,000	$3,250	$3,500
Total	$6,500	$7,000	$7,500	$8,000	$8,500

In addition, please include below an hourly fee quotation and hours proposed for all positions to be assigned to the audit:

	Hours	**Hourly Rate**
Partners	14	$225
Managers	26	$175
Supervisory Staff	40	$130
Professional Staff	60	$110
Clerical/Support Staff		
Other		

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the City, for the services identified in the Request For Proposals.

Firm Name: SB & Company, LLC

Signature: 

Printed Name: William Seymour

Title: Member

Date: June 15, 2022

SB & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Maryland
10200 Grand Central Ave.
Suite 250
Owings Mills, MD 21117

Virginia
6802 Paragon Place
Suite 410
Richmond, VA 23230

South Florida
4000 Hollywood Boulevard
Suite 555-S
Hollywood, FL 33021

Washington, DC
1200 G Street, NW
Suite 809
Washington, DC 20005

Pennsylvania
1500 Market Street
Suite 1200
Philadelphia, PA 19102

THE CITY OF GLENARDEN

TECHNICAL PROPOSAL
FOR
AUDITING SERVICES

Murphy & Murphy, CPA, LLC
108 La Grange Avenue
La Plata, MD 20646
Lisa Brown
301-609-7515

June 16, 2022

AUDIT PROPOSAL

GLENARDEN, MARYLAND

Lindsey + Associates, LLC
Certified Public Accountants
110 West Road, Suite 220
Towson, Maryland 21204
Contact Person: Robert P. Diss, CPA
Tel. No.: (410) 825-1994
Fax No.: (410) 825-1997
E-mail: rdiss@acpafirm.com

June 21, 2022

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Lindsey + Associates LLC
Certified Public Accountants

Lindsey + Associates

110 West Road
Suite 220
Towson, MD 21204

410.825.1994 phone
410.825.1997 fax

www.acpafirm.com

June 21, 2022

Ms. Consuella Barbour
City of Glenarden
8600 Glenarden Parkway
Glenarden, MD 20706

TRANSMITTAL LETTER

RE: Auditing Services

Dear Ms. Barbour:

Enclosed is our proposal for independent auditing services. This proposal is a firm and irrevocable offer for ninety (90) days.

It is our understanding that for the years ending June 30, 2022 through 2024, we will provide the following services:

Required Services

- Audit the City's financial statements in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards set forth in the U.S. General Accounting Office's *Government Auditing Standards,* and the State of Maryland's audit requirements; and issue all required reports;
- Perform a Single Audit of the City's federal expenditures, if necessary;
- Prepare the Uniform Financial Report;
- Draft the statements and print completed reports;
- Prepare the Adobe Acrobat (PDF) file of the City's financial statements for distribution on the City's web page; and
- Present the audit to the Council, as requested.

Our firm is both committed to and capable of completing the audit on a timely basis because our firm has more experience auditing Maryland municipalities than any other firm. In addition, the engagement team will be available throughout the year to assist the City on an as needed basis. We are uniquely qualified to provide the services which are described in this transmittal letter because:

- Bob Diss, the Managing Partner, has conducted or managed hundreds of governmental audits, including the audit of the Howard County government, which included the audit for a golf course and the Howard County Library and 911 systems.
- Unlike many public accounting firms, our auditors perform audits or other attestation engagements year round. Our tax department is separate so that both our audit and tax personnel are specialists. In addition, more than half of the audits we perform are for governmental entities, ranging from small to very large.
- Our firm's primary specialty is providing services to municipal entities. Our firm is well-known in the municipal arena, and we are currently the auditors for most of your neighbors.
- We have experience with a wide variety of governmental entities at all levels, including conducting financial statement audits, Single Audits, fraud investigations, and other attestation engagements.
- We use state-of-the art audit software. Our audits are completely paperless, which allows us to be more efficient both in conducting the audit and in preparing financial statements.

You should select L+A as your auditors because: 1) L+A is one of the most knowledgeable CPA firms in municipal auditing with a wider and more diverse background in governmental auditing than any other firm; 2) L+A is committed to meeting your deadlines; and 3) L+A is large enough to perform the audits in a timely and efficient manner, but also small enough to be very responsive to your needs.

I am the President of Lindsey + Associates, LLC and am authorized to make representations for Lindsey + Associates, submit this proposal, and to bind the firm to a contract. I am the primary contact for any inquires of City personnel concerning this proposal. The firm's address is 110 West Road, Suite 110, Towson, Maryland 21204. Please contact me at (410) 825-1994 or rdiss@acpafirm.com should you have any questions or need additional information.

Very truly yours,

Robert P. Diss, CPA

VOSB

Lindsey + Associates, LLC
Proposal to Glenarden, Maryland
for Auditing Services

WORK TO BE PERFORMED

It is our understanding that for the years ended June 30, 2022 through 2024, we will audit the City's financial statements in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and the standards set forth in the U.S. General Accounting Office's *Government Auditing Standards*; issue all required reports; and prepare the City's Uniform Financial Report; and issue all required reports and complete all required filings. We will also draft the City's financial statements in accordance with generally accepted accounting principles applicable to governmental entities. If necessary, we will also perform an audit of the City's Schedule of Federal Expenditures.

INDEPENDENCE

Our firm is independent of the City of Glenarden and any potential component units as defined by generally accepted auditing standards, the American Institute of CPAs and the United States General Accounting Office's *Government Auditing Standards*.

Our firm currently does not have and has not for the past five (5) years had any professional relationships involving the City or any of its agencies or component units. There is no conflict of interest with regard to the City. The firm will give the City written notice of any professional relationships entered into with potential component units during the period of this agreement.

LICENSE TO PRACTICE IN MARYLAND

Our firm and all assigned key personnel are properly licensed to practice public accountancy in the State of Maryland.

FIRM'S QUALIFICATIONS AND EXPERIENCE

Our firm has been operating in the State of Maryland and issuing governmental financial statement opinions since 1995. Lindsey + Associates, LLC, founded in 1994, is located in Towson, Maryland and has earned a reputation as one of the Mid-Atlantic region's premier CPA and consulting firms. Our CPAs and consultants provide accounting, auditing, consulting, financial, and tax services to entrepreneurial start-ups, multi-billion dollar businesses, and organizations in between. Most of our clients are located along the Eastern Seaboard of the United States from Northern Virginia to New York City; however, we have many clients located in the United Kingdom and Europe.

Our firm's primary specialty is providing services to governmental entities, with **over half of our audit clients being municipal entities**. Our Maryland governmental clients range from the Eastern Shore to the far western counties, and encompass all types of governmental and business-type activities.

Lindsey + Associates, LLC
Proposal to Glenarden, Maryland
for Auditing Services

Our professional staff includes 3 CPAs, 3 accountants, and 1 IT consultant, all based from our Towson, MD office. Our audit staff consists of 2 CPAs and 2 staff auditors, **all of whom spend more than half of their time working on governmental clients**.

Our audit department is unique in that our auditors spend 100% of their time year-round on audit and other attestation services – not part time on taxes, as many public accountants do. Our tax department works full time on tax and accounting, so that our auditors are *specialists* in their field. We anticipate between one and two full-time auditors and no part-time auditors working on this engagement.

As full-time auditors, our staff is keenly aware of due dates. We are committed to meeting deadlines on or ahead of schedule. Our standard procedures include accomplishing as much of the audit as possible during interim testing so that less is left to do during year end fieldwork.

The following is a list of municipal clients we have provided audit services to in the last three years:

- Town of Berwyn Heights
- Town of Brentwood
- Town of Chestertown
- Town of Edmonston
- Town of Fairmount Heights
- Town of Landover Hills
- Town of Laytonsville
- Town of North Brentwood
- Town of Riverdale Park
- Town of Rock Hall
- Town of University Park
- Town of Union Bridge
- Town of Upper Marlboro
- Town of Washington Grove
- Chevy Chase Village
- Chevy Chase View
- Chevy Chase Section 5
- City of College Park
- City of Laurel
- City of Seat Pleasant
- Cottage City
- Village of Friendship Heights

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

This engagement will be staffed primarily by the following professionals located in our Towson, Maryland office. All personnel assigned to this engagement have governmental audits as their primary professional focus, and ***all*** **are Yellow Book qualified**. Each person listed will be personally involved in at least one phase of your audit.

Robert P. Diss, CPA
Managing Partner

Bob Diss, the engagement partner, holds a Bachelor's degree in Math from the University of Maryland. He joined Lindsey + Associates in 2000 as a staff auditor and has since risen to partner; as such he is responsible for our audit and assurance practice. He has managed audits of all sizes, ranging from the smallest nonprofits to governmental entities with over two billion dollars in assets. In addition, he has earned the AICPA's ***Advanced Certificate in Single Audits***.

While working for a regional firm, he managed the audit of the Howard County government, which included the audit for the *Timbers at Troy* golf course and the Howard County Library and 911 systems. He oversaw all phases of the audit, including internal control testing, year-end fieldwork, CAFR and UFR review, and workpaper review.

Prior to joining Lindsey + Associates he served as an Arabic linguist in the Air Force and his awards include the Defense Meritorious Service Medal. He was also an internal auditor for several years with a local government contracting firm, managed the accounting functions for a multi-million dollar out-of-state contract and was the on-site manager of a quality control project for the Nuclear Regulatory Commission.

A partial list of recent relevant governmental experience includes conducting audits and/or attestation engagements or consulting engagements at the following municipal clients:

Local Governments
Chevy Chase Village
City of Hyattsville
City of Laurel
City of Seat Pleasant
Town of Bladensburg
Town of Brentwood
Town of Edmonston
Town of Hampstead
Town of Riverdale Park
Town of Rock Hall
Town of Somerset

Bob is a member of the Maryland Association of CPAs, the American Institute of CPAs, and the Association of International Certified Professional Accountants.

Lindsey + Associates, LLC
Proposal to Glenarden, Maryland
for Auditing Services

Aliesha Scarlett, CPA, CFE
Audit Supervisor

Aliesha Scarlett, CPA, graduated from SUNY in 2001 cum laude. Prior to joining Lindsey + Associates in 2007, she worked for Ulster Savings Bank in New York State and Ryan Insurance Company, an affiliated company to Ulster Savings Bank. She has extensive experience in accounting and compliance matters pertaining to commercial insurance, including workers' compensation insurance. Since joining L+A in 2007, she has become our audit manager, overseeing all aspects of fieldwork for our audits, including nearly two dozen municipalities. In 2015, she earned her Certified Fraud Examiner designation. Aliesha is a member of the Association of Certified Fraud Examiners, the MDGFOA, the MACPA and the AICPA.

State and Regional Governments
Maryland Aviation Administration
Maryland Transit Administration
American Recovery and Reinvestment Act Projects
Amtrak Commuter Rail Contract Service Revenues and Costs Claimed
BWI Parking Garage Agreement
Revenues and Costs Claimed by CSXT Transportation (CSXT)
Review of Passenger Vehicle Utilization
Symphony Center Parking Garage Agreement

County and Other Governments
Baltimore County Revenue Authority
City of Glenarden Housing Authority

Local Governments
Cottage City
Chevy Chase Village
City of Laurel
Town of Bladensburg
Town of Edmonston
Town of Laytonsville
Town of North Brentwood
Town of Union Bridge
Town of Washington Grove

Aliesha is a member of the MACPA and the AICPA.

QUALITY ASSURANCE – STAFF

Professional staff is encouraged to complete approximately 40 hours of continuing professional education annually. In addition, their professional development and performance is continually monitored. We endeavor to maintain the same professional staff on engagements to maximize our effectiveness and minimize client interruptions. As a result, we have an extremely low turnover rate – far lower than that of larger firms. Lindsey + Associates endeavors to keep the quality of its staff high by:

- Creating an environment that balances personal and professional lives
- Offering a challenging and rewarding career path to all employees
- Continuing to recruit the best available employees
- Providing competitive salaries and fringe benefit packages
- Encouraging employees to develop the proper balance between work and home
- Requiring accountants and auditors to participate in 40 hours of CPE annually – even before they become CPAs
- All governmental auditing professionals meet the Yellow Book CPE requirements
- Staff training is supplemented by Lindsey + Associates' library containing the most recent
    - GASB *Comprehensive Implementation Guides*
    - GASB *Codification of Governmental Accounting and Financial Reporting Standards*
    - AICPA *Audit & Accounting Guide for State and Local Governments*
    - PPC *Governmental Disclosure Checklist*
    - GFOA *CAFR Checklist*
    - PPC *Guide to Audits of State and Local Governments*
    - PPC *Guide to Preparing Governmental Financial Statements*

Supervision

Daily supervision of this engagement will be provided by Aliesha Scarlett, Audit Supervisor, to ensure that the engagement is being conducted in an efficient and timely basis and that all required quality control standards are met. All engagements, including the resultant workpapers, are reviewed extensively prior to report issuance to ensure that the firm's quality control procedures and all applicable standards are met. Bob Diss, the engagement partner, is responsible for ensuring that the firm's quality control procedures meet AICPA standards. The AICPA has issued seven quality control standards and Lindsey + Associates assures compliance with these quality control statements by utilizing numerous checklists developed by the AICPA and Practitioners Publishing Company.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Lindsey + Associates has a long history of work with governmental entities, both large and small. Every engagement is unique; however, engagements performed in the past five years with demands similar to Glenarden follow:

Town of Riverdale Park	
Scope:	Financial statement audit, draft F/S and UFR
Date:	2001 to present
Partner:	Bob Diss
Total Hours:	~200 annually
Client Contact:	Paul Smith, 301/927-6381, psmith@riverdaleparkmd.gov

Town of Landover Hills	
Scope:	Financial statement audit, Single Audit, draft F/S and UFR
Date:	2001 to present
Partner:	Bob Diss
Total Hours:	~150 annually
Client Contact:	Karen Ruff, 301/773-6401, k.ruff@landoverhills.us

Town of Brentwood	
Scope:	Financial statement audit, draft F/S and UFR
Date:	2000 to present
Partner:	Bob Diss
Total Hours:	~150 annually
Client Contact:	Shelley Dorsey, 301/927-3344, treasurer@brentwoodmd.gov

Chevy Chase Village	
Scope:	Financial statement audit, draft F/S and UFR
Date:	2009 to present
Partner:	Bob Diss
Total Hours:	~200 annually
Client Contact:	Demetri Protos, 301/654-7300, Demetri.Protos@montgomerycountymd.gov

City of Laurel	
Scope:	Financial statement audit, Single Audit, draft F/S and UFR
Date:	2005 to present
Partner:	Bob Diss
Total Hours:	~ 250 annually
Client Contact:	Michele Saylor, 301/725-5300 X236, msaylor@laurel.md.us

WORK PLAN AND TIMELINE

We typically perform our municipal audits in two phases. Sometime May through July, we test the City's internal controls, testing cash receipts, cash disbursements and payroll. We also gather as much information as possible about significant transactions throughout the year so that when we return after year end, there is less left to be completed, when we primarily examine balance sheet items, such as cash and investments, accounts receivable and accounts payable. We work both hard and smart to ensure that all audits are completed on time and within budget.

Engagement Phase/Segmentation	Time Frame
Planning meeting with City staff	May/June
Interim testing and year-end fieldwork	August/September
Prepare financial statements, footnotes and reports	September
Delivery of all draft reports and letters	September
Exit conference	October
Delivery of financial statements and all reports and letters	October
Presentation to City Council	As requested
Review and upload UFR	NLT October 25

WORK PLAN

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

SEGMENTATION OF ENGAGEMENT

Audit phases include: planning, tests of internal controls, year-end fieldwork, review and report writing. In general terms, our fieldwork is carried out in two phases: tests of internal controls and year-end fieldwork. During tests of internal controls, we gain an understanding of management's assertions concerning the design of internal controls. We then test those assertions to determine if those controls are functioning as designed and to what extent they can be relied upon. Year-end fieldwork focuses more on balance sheet items such as bank reconciliations, accounts payable, and substantive testing of details of certain revenue and expenditure/expense accounts.

SAMPLE SIZE AND THE EXTENT TO WHICH SAMPLING IS TO BE USED IN THE ENGAGEMENT

Our firm uses statistical sampling whenever it is cost effective and efficient. The authoritative pronouncements that establish requirements or provide suggestions that most directly affect the use of audit sampling are: SAS No. 39, SAS No. 43, SAS No. 45, SAS No. 11, and the AICPA Audit and Accounting Guide, *Audit Sampling*.

Our firm will most likely use audit sampling in the following areas:

- Substantive tests of details of balance sheet account balances
- Substantive tests of details of transactions
- Tests of controls
- Test of compliance with laws and regulations

Our approach to planning the extent of *substantive tests* follows:

- Assess the appropriate level of tolerable misstatement – as a rule of thumb is 75% of planning materiality
- Determine an amount for individually significant dollar items - any amount less than tolerable misstatement may be used (as a rule of thumb, one-third of tolerable misstatement is often used)
- Identify unusual items - these items are tested 100%
- Calculate remaining balance and percent of coverage after selecting individually significant items
- Determine what procedures, if any, are needed to test the remaining balance

Our firm normally uses one of the three following approaches to selecting samples: random selection, systematic selection, and haphazard selection. When at all possible, however, we attempt to make our sampling as efficient as possible by selecting samples in conjunction with analytical procedures. For every sample selected, there should be a *reason* that a particular transaction is being tested. For example, we perform various mathematical tests such as the Benford Analysis, which may direct our testing to specific transactions.

There is a basic relationship between degree of risk and sample size. As the allowable risk of incorrect acceptance decreases, the necessary sample size increases. Statistical sampling allows us to decide on a specific percentage of allowable risk of incorrect acceptance, such as 5% and, through use of a formula or a table to determine sample size, hold the risk to that level or measure the risk level actually achieved by the sample results. After the sample size is determined and the tests are performed on the sample, we then project the misstatement to the total population using the ratio method.

For *tests of controls* using audit sampling, the population is usually all transactions of a particular type. Tests of controls using audit sampling are usually tests of details of transactions. To be efficient, our firm only focuses on those policies and procedures that are important to achievement of control objectives.

For purposes of determining sample size, our firm considers: tolerable risk, the risk of assessing control risk too low, and the expected rate of deviations from prescribed internal control structure policies and procedures.

Our firm combines compliance tests of laws and regulations with substantive tests of transactions or tests of controls. In other words, we perform a triple-purpose test of transactions, if possible. For example:

- Recording the correct amount, account and period
- Indications of performance of internal control structure policies and procedures, and
- Indications of compliance with relevant laws and regulations

ANALYTICAL PROCEDURES TO BE USED IN THIS ENGAGEMENT

Analytical procedures are used in general planning to improve our understanding of operations and to identify audit areas for increased attention. SAS No. 56 and SAS No. 96 require the use of analytical procedures in the planning and overall review stages of all audits. Analytical procedures are used most often in the following:

- Engagement planning
- Engagement review
- Account balance review
- Debt and debt service requirements
- Inventories
- Payroll

Typical analytical procedures are: comparisons of account balances between accounting periods and ratio and trend analysis. Analytical procedures are also more effective and efficient than tests of details for achieving particular substantive testing objectives. The appropriate mixture of analytical procedures and tests of details is a matter of professional judgment.

As stated earlier, we attempt to make our sampling as efficient as possible by selecting samples in conjunction with analytical procedures. For every transaction selected for testing, there should be a *reason* that particular transaction is being tested. For example, we perform various mathematical tests, including the Benford Analysis, which may direct our testing to specific transactions.

PEER REVIEW

The firm is enrolled in the AICPA peer review program, and is committed to both the peer review program and maintaining a top-notch internal quality review program. Our firm's most recent external quality control review letter is included as **Appendix A** to this proposal, and shows that we received the highest opinion – *pass* with no letter of comments. L+A has participated in the peer review program since 1994. The external quality control review included a review of governmental audit engagements.

We have not had any federal or state desk reviews or field reviews of our audits during the past three (3) years. Also, there have been no disciplinary actions taken against the firm during the past three (3) years or otherwise, and there is no pending litigation and has not been for the past three years.

APPENDIX A

PEER REVIEW REPORT

Coastal Peer Review
Administered by The North Carolina and Maryland Associations of CPAs

AICPA

July 22, 2021

Robert Diss
Lindsey and Associates, LLC
110 West RD Ste 220
Towson, MD 21204-2316

Dear Robert Diss:

It is my pleasure to notify you that on July 22, 2021, the Coastal Peer Review, Inc. Committee accepted the report on the most recent System Review of your firm. The due date for your next review is May 31, 2024. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.
For North Carolina firms: To comply with North Carolina Administrative Code (21 NCAC 8M .0106), within 60 days of the date of this final letter of acceptance, you must forward a copy of it to: Cammie Emery NC State Board of CPA Examiners PO Box 12827 Raleigh, NC 27605 fax 919.733.4209 – cemery@nccpaboard.gov (The preferred method of receipt is fax or email. No cover letter is required.) If the result of this peer review is fail or a second pass with deficiencies, you are also required to submit the report and letter of response.

Sincerely,

Michael P. Manspeaker

Michael P. Manspeaker, CPA
CPA on Staff
800-730-3412

cc: Michael Buher

Firm Number: 900010134307 Review Number: 582008

BD&CO. INC.
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

Report on the Firm's System of Quality Control

June 4, 2021

To Lindsey & Associates LLC and the Peer Review Committee of Coastal Peer Review, Inc.:

We have reviewed the system of quality control for the accounting and auditing practice of Lindsey & Associates LLC (the firm) in effect for the year ended November 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Lindsey & Associates LLC in effect for the year ended November 30, 2020, 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*. Lindsey & Associates LLC has received a peer review rating of *pass*.

Very truly yours,

BD & Company, Inc.

APPENDIX B

PRICE PROPOSAL

The following is an estimate of hours per fiscal year and hourly rates. The quoted fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will be not encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

FY 2022 **Financial Statement Audit**

	Hours	Rate	Total
Partner	16	$ 200	$ 3,200
Supervisor	40	130	5,200
Staff	160	100	16,000
Total	216		$ 24,400

FY 2022 **Single Audit (if required)**

	Hours	Rate	Total
Partner	4	$ 200	$ 800
Supervisor	16	130	2,080
Staff	24	100	2,400
Total	44		$ 5,280

FY 2023 **Financial Statement Audit**

	Hours	Rate	Total
Partner	16	$ 200	$ 3,200
Supervisor	40	135	5,400
Senior	160	105	16,800
Total	216		$ 25,400

FY 2023 **Single Audit (if required)**

	Hours	Rate	Total
Partner	4	$ 200	$ 800
Supervisor	16	135	2,160
Senior	24	105	2,520
Total	44		$ 5,480

FY 2024 **Financial Statement Audit**

	Hours	Rate	Total
Partner	16	$ 200	$ 3,200
Supervisor	40	140	5,600
Senior	160	110	17,600
Total	216		$ 26,400

FY 2024 **Single Audit (if required)**

	Hours	Rate	Total
Partner	4	$ 200	$ 800
Supervisor	16	140	2,240
Senior	24	110	2,640
Total	44		$ 5,680

BACKGROUND INFORMATION

NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

In accordance with the Request for Proposal for Audit Services issued by City of Glenarden, the firm referenced below hereby submits the following cost proposal:

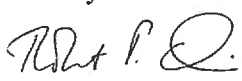
	Year Ended June 30th				
	2022	2023	2024	2025	2026
Basic Reports to Be Issued					
City Audit & Management Letter	$24,400	25,400	$26,400		
Total					
Additional Audit Reports To Be Requested At City Option					
Single Audit	$5,280	$5,480	$5,680		
Transient Occupancy Tax	n/a	n/a	n/a		
Total					

In addition, please include below an hourly fee quotation and hours proposed for all positions to be assigned to the audit:

	Hours	Hourly Rate
Partners	16	200
Managers		
Supervisory Staff	40	130
Professional Staff	160	100
Clerical/Support Staff		
Other		

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the City, for the services identified in the Request For Proposals.

Firm Name: Lindsey & Associates, LLC

Signature: 

Printed Name: Robert P. Diss

Title: President

Date: June 21, 2022

TECHNICAL PROPOSAL

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Attachment:

System Review Report

Murphy & Murphy, CPA, LLC
Certified Public Accountants

June 16, 2022

City of Glenarden
Attn: Consuella Barbour
8600 Glenarden Parkway
Glenarden, MD 20706

EMAIL TRANSMISSION: Dstewart@cityofglenarden.org

Re: Auditing Services

We are pleased to respond to your Request for Proposal to provide independent financial auditing services for the City of Glenarden (the City) for the fiscal years ending June 30, 2022 through June 30, 2024 with the option to extend an additional two (one) year periods.

Murphy & Murphy, CPA, LLC and its government audit staff are qualified to perform the independent audit of the City in conformity with the requirements as set forth in the Request for Proposal. We have extensive audit experience, covering a diversified range of services and industries. Our auditing clients vary in size from small to large firms, with sales volumes ranging from less than one million dollars to approximately one hundred sixty million dollars.

We are fully staffed with experienced and competent personnel that have proven audit techniques and tools to perform efficient audits. Our integrated, computer-based audit process enables us to generate efficiencies in all phases of the audit and provides a solid baseline for future audits. Utilizing this technology enables us to save you time and ensures that financial statements and other reports are prepared, reviewed, and delivered in your specified time period and in a cost-effective manner. Our firm has performed audit services for other similar governmental entities for well over 20 years; therefore, we have a complete understanding of your organization and its environment. With this type of experience, we are best qualified to perform the audit engagement for the City.

Christopher DeBlanc, Managing Principal, is the authorized representative for our firm and can be reached at (301) 609-7515 or by email: chris.deblanc@murphycpallc.com . Our proposal is a firm and irrevocable offer for a period of one year ending on June 30, 2023. We thank you in advance for affording us the opportunity to submit this proposal for your consideration.

Very truly yours,

Christopher DeBlanc, Managing Principal

CLD/tmj

108 La Grange Avenue ◆ La Plata, Maryland 20646-9591 ◆ (301) 609-7515 ◆ Fax: (301) 609-7510
www.murphycpallc.com
Member: AICPA Governmental Audit Quality Center

General Requirements

Murphy & Murphy, CPA, LLC would be pleased to provide auditing services for the City of Glenarden (City) for the fiscal years ending June 30, 2022, through June 30, 2024. We will express an opinion on whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our proposal includes a proposed audit work plan and an audit approach that provides detailed information on each segment of the audit and meets the requirements of this engagement. Prior to the commencement of each audit, we meet with and discuss our planned approach with key finance personnel. We will provide a list of schedules to be prepared by the City's staff prior to beginning fieldwork.

Routine activities that relate directly to the performance of an audit, such as providing advice and responding to questions as part of an audit, are normal audit services you can expect from our firm and are considered part of the quoted fee for the term of the contract.

Independence

Murphy & Murphy, CPA, LLC is independent of the City as defined by U.S. generally accepted auditing standards/the U.S. Government Accountability Office's (GAO) *Government Auditing Standards* (2018 Revision) for the performance of this audit. There have been no professional relationships involving the City or any of its agencies. We will give written notice to the City should any relationship be entered into during the period of this agreement.

License to Practice in the State of Maryland

Murphy & Murphy, CPA, LLC hereby affirms that the firm and all assigned key professional staff of the firm are properly licensed to practice as Certified Public Accountants in the State of Maryland.

Firm Qualifications and Experience

Murphy & Murphy, CPA, LLC established in 1978 is a recognized full-service certified public accounting firm qualified to conduct business in the State of Maryland. We are registered and in good standing with the State Department of Assessments and Taxation.

We are a medium-sized local firm and one of the largest and most experienced CPA firms in the Southern Maryland area. We employ approximately twenty-one (21) personnel and have one (1) office located in La Plata, Maryland from which the work on this audit will be performed. Our professional staff members include Certified Public Accountants, Certified Financial Planner™ certificants, and an Information Systems Specialist. Together, they bring a wealth of experience to our firm and enable us to offer a vast array of services. Our governmental audit staff consists of a 12-member team.

We have extensive experience in auditing governmental entities and our exposure to the circumstances and issues that surround organizations such as yours has equipped us to serve you with an abundance of knowledge and insight. Therefore, we can meet or exceed the intended objectives of this RFP. The client will ultimately profit from the service of local

professionals who understand the issues critical to local governments. Murphy & Murphy, CPA, LLC personnel stay current with GASB developments and interpretations through the following methods:

- Review of professional journals and publications
- Attendance at Association of Government Accountants (AGA) functions
- Review of GASB exposure drafts
- Subscription to or membership in various organizations and on-line research services, such as GASB, AICPA, and Practitioner's Publishing Company
- Attending Continuing Education courses on local government topics

The number and nature of professional staff likely to be assigned to the audit follows:

Number	Level	Time Spent on Engagement
1	Partner	Part-time
1	Manager	Full-time
1	Supervisor	Part-time
1	Staff	Full-time
1	Technical Reviewer	Part-time
1	I.T. Specialist	Part-time

One of the major differences between our firm and other CPA firms is that in addition to our expertise in auditing governmental, nonprofit, educational, and ERISA plans, we offer our clients a diversity of other services: tax planning, estate planning, financial planning, litigation support, expert witness, and negotiations with lenders. Our firm serves a wide variety of clients, large and small, in diverse industries. Our technical expertise in many accounting areas provides us with the experience and resources to understand the unique issues facing our clients' industry, whether it is an audit of government, educational, nonprofit or for-profit organizations.

Affiliations with Government Finance Organizations

We are active in organizations that influence and affect governmental units. Our participation in these organizations ensures that we keep abreast of the most up-to-date information and ideas to help our clients control costs and improve internal controls and operational matters. A listing of these organizations follows:

Maryland Government Finance Officers Association (**GFOA**). Our staff attend continuing education seminars to keep up to date with current issues relating to governmental entities. Being a member of the GFOA affords us the opportunity to connect with other CPA firms and discuss government auditing ideas and techniques.

American Institute of Certified Public Accountants (**AICPA) Governmental Audit Quality Center (GAQC)**. The **GAQC** is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits. The aim of this program is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services.

Peer Review

The AICPA's Peer Review Program requires that we receive external quality control reviews every three years. The objective of the on-site inspection is to determine whether our quality control system is designed to ensure compliance with applicable professional standards in all material respects and whether we are following the system appropriately. Firms can receive a rating of pass, pass with deficiency(ies), or fail. As evidence of our performance of high-quality services and that our quality control system is designed to ensure compliance with AICPA standards, **our most recent system review, as of March 31, 2020, including a review of specific government engagements, resulted in a peer review rating of "pass".** A copy of the system review report is attached to this proposal.

Partner, Supervisory and Staff Qualifications and Experience

In selecting team members for an engagement, we consider each member's experience, training, and geographic location as it relates to the organization. Personnel to be assigned to the proposed audit engagement are well-versed in the procedures and requirements for audits of federal programs in accordance with required auditing standards. Personnel responsible for planning, directing, conducting, or reporting on government audits complete, every two years, at least eighty hours of continuing education and training directly contributing to their professional proficiency as auditors. Individuals responsible for planning, directing, conducting substantial portions of the field work, or reporting on government audits complete a minimum of twenty-four of their required eighty hours of continuing education and training every two-year period in subjects directly relating to the government environment and to **government auditing**, such as the requirements of **OMB Circulars/Uniform Guidance**, **GASB**, current developments in audit methodology, assessment of internal controls, principles of management and supervision, financial management, statistical sampling, evaluation design, and data analysis. To this end, our personnel regularly attend professional technical training courses offered by the American Institute of Certified Public Accountants (AICPA), the Maryland Association of Certified Public Accountants (MACPA), Maryland Government Finance Officers Association (GFOA), and other state and/or local societies.

Personnel likely to be assigned to the audit engagement follows:

Gregory R. Ferguson CPA **Audit Partner**	Has overall responsibility of planning the engagement, supervising staff, and maintaining client contact throughout the engagement and throughout the year. The partner is responsible for assuring total client satisfaction and continuous communication with management and the engagement team. The partner will perform the final technical review.
Lisa R. Brown, CPA **Audit Manager**	Assists in planning the engagement, develops the audit approach, supervises staff, maintains client contact throughout the engagement and throughout the year, and will review the financial statements and all related reports.
Maya O. Dizon **Audit Supervisor**	Performs audit tasks as assigned under the supervision of the audit manager and performs the more complicated audit areas of fieldwork.
Andrew G. Hungerford **Audit Staff**	Performs audit tasks as assigned under the supervision of the audit manager and audit supervisor.
Gregory R. Ferguson, CPA **Technical Reviewer**	Critically examines the draft financial report to assure compliance procedures and disclosures follow regulatory standards and pertinent authoritative literature, determines whether required work was performed and documented, evaluates the audit documentation to verify it adequately responds to audit risk, and it supports the conclusions reached by the audit team, and completes checklists to document evidence of review.
Sherri A. Hastings **I.T. Specialist**	Assists audit team in documenting and evaluating IT general and application controls and ensures that financial information flows smoothly from your system to our audit software.

Detailed resumes for each engagement team member follows this section. The resumes provide information on individual education, government auditing experience, relevant continuing professional education courses, and membership in professional organizations.

Gregory R. Ferguson, CPA
Manager

Profile and Education

Mr. Ferguson has over thirty years of varied experience in both private and public accounting, with emphasis in tax and auditing. Mr. Ferguson is licensed to practice as a Certified Public Accountant in the State of Maryland. To stay current with the latest auditing developments and financial statement disclosure requirements, Mr. Ferguson attends continuing education courses directly related to Generally Accepted Government Auditing Standards (GAGAS) and reviews FASB, GASB Statements and Clarified Statements on Auditing Standards (SAS's) for any new guidance or requirements.

Mr. Ferguson received his B.S. in Accounting from the University of Maryland at College Park in 1983.

Experience in Serving Clients

Mr. Ferguson has managed numerous audits, including governmental, nonprofit, and educational institutions including, but not limited to, the following:

Caroline County Commissioners (thirteen years)
Caroline County Humane Society (six years)
Caroline County Public Library (thirteen years)
Board of Library Trustees for Charles County (ten years)
City of Mt. Rainier, Maryland (four years)
Town of Eagle Harbor, Inc. (four years)
Town of Indian Head (one year)
Town of La Plata (four years)

Charles County Rescue Squad, Inc. (two years)
Maryland Center for Youth & Family Development, Inc., T/A Edgemeade (five years)
Maryland Tobacco Growers Assoc. (four years)
National Environmental Balancing Bureau, Inc. (five years)
Potomac Heights Mutual Home Owners Assoc. (one year)
Prince George's County Police Civilian Employees Association (one year)
Softworks, Inc. (two years)
The Canterbury School (two years)
Three Oaks Homeless Shelter, inc. (one year)
Waldorf Volunteer Fire Dept., Inc. (eleven years)

Gregory R. Ferguson, CPA
Manager

Continuing Professional Education (CPE)

Mr. Ferguson is in full compliance with continuing education requirements established by ***Government Auditing Standards***. Below is a list of relevant continuing professional education courses attended during the past three years:

Topic	Date
Concluding and Reporting for Single Audits	12/30/21
Planning the Single Audit and Single Audit Sampling	12/17/21
Pre-Engagement Activities and Internal Control Considerations	12/03/21
Single Audits of Governmental and Nonprofit Organizations	10/25/21
Government Accounting Principles	10/21/21
Governmental Financial Statements: Cash and Investments	12/16/20
Governmental Financial Statements: Revenues and Receivables	10/23/20
Governmental Financial statements: Operating Expenditures/Expenses and Liabilities (Other than Employee Benefits) and Debt & Debt Service	10/08/20
Internal Control and Fraud in Governments and Nonprofits	08/25/20
Reporting Expenses by Nature and Function	08/25/20
Single Audits of Governmental and Nonprofit Entities	12/27/19
GAO's Yellow Book Attestation Engagements	12/26/19
Governmental Auditing & Tax Update	09/27/19
Audits of Local Governments-Course 2-Testing Internal Control, Sampling, & Audit Documentation	07/08/19
2019 Government & Not-for-Profit Conference	04/25/19
Governmental Auditing & Tax Update	02/01/19
Basics of Quality Control	07/03/19

Professional Affiliations

American Institute of Certified Public Accountants (AICPA)
Maryland Association of Certified Public Accountants (MACPA)
Maryland Government Finance Officers Association (GFOA)

Lisa R. Brown, CPA
Manager

Profile and Education

Ms. Brown has twenty-one years of varied accounting experience in public accounting with emphasis in auditing and tax, and ten years of professional accounting experience in a commercial bank. She is licensed to practice as a Certified Public Accountant in the State of Maryland. To stay current with the latest auditing developments and financial statement disclosure requirements, Ms. Brown attends continuing education courses directly related to Generally Accepted Government Auditing Standards (GAGAS) and reviews FASB, GASB Statements and Clarified Statements on Auditing Standards (SAS's) for any new guidance or requirements.

Ms. Brown received her B.A. in Economics from St. Mary's College of Maryland in May 1991.

Experience in Serving Clients

Ms. Brown has managed numerous audits, including governmental, non-profit, educational institutions, and for-profit entities, as follows:

Carter State Office Building (twelve years)
Calvert County Day School, Inc. (two years)
Calvert County Fair, Inc. (four years)
Calvert County Public Library Foundation (two years)
Calvert County Housing Authority (two years)
Charles County Commissioners (five years)
City of Frederick (two years)
Local Management Board (ten years)

St. Mary's County Building Commission (twelve years)
St. Mary's County Commissioners (twelve years)
St. Mary's County Housing Authority (eleven years)
St. Mary's County Library (twelve years)
St. Mary's County Metropolitan Commission (twelve years)
St. Mary's County 911 Trust Fund (twelve years)
St. Mary's Detention Center (eleven years)
Town of Upper Marlboro, Maryland (two years)

American Red Cross, Calvert County Chapter (one year)
American Red Cross, St. Mary's County Chapter (two years)
Ann's Circle, Inc. (ten years)
Baywalk Condominium Association (one year)
Beechwood Square Condominium Assn, Inc. (two years)
Care Net Pregnancy Center of Southern Maryland, Inc. (five years)
Cerenity, Inc. (five years)

Lisa R. Brown
Manager

Experience in Serving Clients (continued)

Charles County Arts Alliance, Inc. (five years)
Charles County Disaster Relief Fund (four years)
Creative Options & Employment, Inc. (one year)
Crescent Cities Jaycees Foundation, Inc. (two years)
Greenview Village Apartments (three years)
Health Prime International, LLC (one year)
Koenig Private Foundation (two years)

Marlton Homeowners Association, Inc.
Marlton 4 Homeowners Association, Inc. (one year)
Marlton 10 Homeowners Association, Inc. (one year)
Mother Catherine Academy, Inc. (one year)
Prince George's County Hospital Foundation (one year)
Property Owner's Association of the Chesapeake Ranch Estates, Inc. (nine years)
RAP, Inc. (four years)

Sasha Bruce Youthwork, Inc. (one year)
Southern Maryland Criminal Justice Academy (one year)
Southern Maryland Vocational Industries, Inc. (three years)
St. Mary's Caring, Inc. (one year)
The Jude House, Inc. (two years)
The Lucky Ones, Inc. (two years)
The Patuxent Partnership (two years)
The Promise Resource Center, Inc. (thirteen years)

Three Oaks Homeless Shelter, Inc. (one year)
Town Center Homeowners Association, Inc. (one year)
Tri-County Council for Southern Maryland (five years)
Valleybrooke Townes Community Association, Inc. (two years)
Wexford Village Community Association, Inc. (two years)
Windmill Square Condominium Assn., Inc.
Whitehall Baptist Church, Inc. (one year)

ERISA Audits, Including Preparation of Form 5500
American Painting and Janitorial, Inc. PSP (three years)
America World Adoption 401(k) Profit Sharing Plan & Trust (five years)
Calverton School 403(b) Retirement Plan (two years)
Eagle Systems, Inc. Deferred Savings Plan (thirteen years)
McKay's Employees Profit Sharing 401(k) Savings Plan (six years)
SPS Consulting, LLC 401K PSP & Trust (three years)

Lisa R. Brown, CPA
Manager

Experience in Serving Clients (continued)

Ms. Brown served on engagements whereby we issued an Independent Accountants' Report on Applying Agreed-upon Procedures, as follows:

Historic St. Mary's City, Inc.
Koenig Private Foundation
Prince George's Soil Conservation District
St. Mary's Detention Center

Continuing Professional Education (CPE)

Ms. Brown is in full compliance with continuing education requirements established by ***Government Auditing Standards***. Below is a list of relevant continuing professional education courses attended during the past three years:

Topic	Date
How to Effectively Analyze & Implement a New Accounting Standard	01/06/22
Initial Audit Engagements	01/04/22
Getting Auditors in and Out Efficiently	12/26/21
GAAS Guide – Audit Programs	12/07/21
Understanding, Determining, Applying Materiality in an Audit	10/27/21
Government Accounting Principles	10/17/21
Audit Documentation and Workpaper Review	10/05/21
Audits of States, Local Governments and Nonprofit Organizations	10/05/21
Performing Efficient Compliance Audits of Defined Contribution Pension Plan	06/03/21
Quarterly Yellow Book Update Q2 2021	04/14/21
Quarterly Yellow Book Update Q1 2021	02/24/21
2018 Revision Gov't Auditing Standards for Financial Audits (Yellow Book Overview)	02/02/21
Quarterly Yellow Book Update Q1 2021	01/29/21
Overview of Governmental Accounting	12/27/20
Accounting and Auditing Issues Related to COVID-19	12/27/20
Concluding and Reporting for Single Audits	12/26/19
Financial Statement Notes & Special Purpose Frameworks	12/26/19
Audit Risk and Assertions	12/25/19
Governmental Auditing & Tax Update	09/27/19
The History of Single Audits, the Single Audit Process, & Compliance Auditing	08/27/19
Planning and Sampling for Single Audits	08/27/19
2019 Government & Not-for-Profit Conference	04/25/19
Governmental Auditing & Tax Update	02/01/19

Lisa R. Brown, CPA
Manager

Professional Affiliations

American Institute of Certified Public Accountants (AICPA)
Maryland Association of Certified Public Accountants (MACPA)
Maryland Government Finance Officers Association (GFOA)

Community Affiliations

Member of Finance Committee – Calvary United Church
Secretary of Endowment Committee – Calvary United Church

Maya O. Dizon
Senior Accountant

Profile and Education

Ms. Dizon has eighteen years of varied accounting experience in public accounting with emphasis in auditing, corporate, partnership and individual tax. Mrs. Dizon is licensed to practice as a Certified Public Accountant in the Philippines. To stay current with the latest auditing developments and financial statement disclosure requirements, Ms. Dizon attends continuing education courses directly related to Generally Accepted Government Auditing Standards (GAGAS) and reviews FASB, GASB Statements and Clarified Statements on Auditing Standards (SAS's) for any new guidance or requirements.

Ms. Dizon received her B.S. in Accounting from Jose Rizal University, Mandaluyong City, Philippines in March 2003

Experience in Serving Clients

Ms. Dizon has served as a senior or staff auditor on audits of government and nonprofit organizations as follows:

Andromeda Transcultural Health (five years)
Capital Region USA, Inc. (five years)
Charles County Arts Alliance, Inc. (one year)
Creative Options & Employment, Inc. (one year)
Crescent Cities Charities, Inc. (two years)

Crescent Cities Jaycees Foundation, Inc. (five years)
Health Prime International, LLC (two years)
GPB HPI Holding LLC (one year)
Loyola Retreat House, Inc. (three years)
Mother Catherine Academy, Inc. (one year)
Prince George's County Memorial Library System (four years)

Prince George's County Memorial Library System Foundation (two years)
Project Healing Waters Fly Fishing, Inc. (one year)
RAP, Inc. (four years)
St. Mary's County Government (one year)
Tri-County Council for Southern Maryland (three years)

In addition, Ms. Dizon has served as a senior auditor on audits of employee benefit plans, health and welfare, construction, churches, and manufacturing companies.

Maya O. Dizon
Senior Accountant

Continuing Professional Education (CPE)

Ms. Dizon is in full compliance with continuing education requirements established by ***Government Auditing Standards***. Below is a list of relevant continuing professional education courses attended during the past three years:

Topic	Date
Accounting for Governmental Assets and Liabilities	11/30/21
Provider Relief Funds and You	11/23/21
Impact of New Auditor Reporting on Governments	11/23/21
ASU 2016-14, Nonprofit Financial Statements	11/22/21
GASB Update	04/30/21
Mission and Strategic Planning for Nonprofits	04/30/21
Testing Internal controls in a Single Audit	04/30/21
Adapting Internal Controls in a Virtual Environment	04/30/21
The Real World of Yellow Book Ethical Principles	04/30/21
Federal Grants for Nonprofits	04/30/21
Managing Fraud Risk in governmental and Not-for-Profit	04/30/21
ASU 2016-14 Nonprofit Financial Statements	12/15/20
Reporting Expenses by Nature and Function	12/15/20
Yellow Book and Single Audit Deficiencies	12/08/20
Internal Control and Fraud in Governments and Nonprofits	12/07/20
Governmental Auditing & Tax Update	09/27/19
2019 Government & Not-for-Profit Conference	04/25/19
Governmental Auditing & Tax Update	02/01/19

Professional Affiliations

Maryland Association of Certified Public Accountants (MACPA)

Andrew G. Hungerford

Staff Accountant

Profile and Education

Mr. Hungerford has five years of varied accounting experience in public accounting with emphasis in auditing, corporate, partnership and individual tax. To stay current with the latest auditing developments and financial statement disclosure requirements, Mr. Hungerford attends continuing education courses directly related to Generally Accepted Government Auditing Standards (GAGAS) and reviews FASB, GASB Statements and Clarified Statements on Auditing Standards (SAS's) for any new guidance or requirements.

Mr. Hungerford received his B.S. in Accounting from Salisbury University, MD in December 2016.

Experience in Serving Clients

Mr. Hungerford has served as a staff accountant on audits of government and nonprofit organizations as follows:

Board of Library Trustees for Charles County (five years)
Calvert County Day School, Inc. (two years)
Cantwell Cleary, Co., Inc. (two years)
Care Net Pregnancy Center of Southern Maryland, Inc. (three years)
City of Mt. Rainier, Maryland (two years)

National Environmental Balancing Bureau, Inc. (three years)
St. Mary's County Government (one year)
St. Mary's County Metropolitan Commission (one year)
St. Mary's County Library (one year)
St. Mary's Caring, Inc. (one year)
St. Mary's Detention Center (one year)

The Promise Resource Center, Inc. (four years)
Three Oaks Homeless Shelter, inc. (one year)
Tri-County Council for Southern Maryland (one year)
Walden/Sierra Corporation (one year)
Warfighter Advance, Inc. (one year)

Andrew G. Hungerford
Staff Accountant

Continuing Professional Education (CPE)

Mr. Hungerford is in full compliance with continuing education requirements established by ***Government Auditing Standards***. Below is a list of relevant continuing professional education courses attended during the past three years:

Topic	Date
Overview of Governmental Accounting	12/06/21
Audits of States, Local Governments & Nonprofit Organizations	11/18/21
Yellow Book and Single Audit Deficiencies	08/25/21
GAO Standards – Yellow Book	08/23/21
Fraud – Who Commits It and Why Does It Occur	08/20/21
Governmental Auditing & Tax Update	09/27/19
2019 Government & Not-for-Profit Conference	04/25/19
Governmental Auditing & Tax Update	02/01/19

Professional Affiliations

Maryland Association of Certified Public Accountants (MACPA) Student Member

Sherri A. Hastings
I.T. Specialist

Profile and Education

Ms. Hastings has a B.S. in Information Systems from York College of Pennsylvania, York, PA. She graduated magna cum laude in May 1997.

Experience

Ms. Hastings has over twenty years of professional experience, including:

- Solves organizational workflow problems by analyzing business requirements, designing applications, and recommending system controls and protocols which streamlines operational procedures.
- Maintains a multi-office virtual server environment utilizing WAN interconnectivity.
- Manages a multi-server Citrix environment and gateway appliances, facilitating secure remote access.
- Performs network administration including backups, security management, user account management, and firewall/router monitoring and analysis.
- Establishes network specifications by conferring with users, analyzing workflow, access, information, and security requirements.
- Formulates and defines system specifications; participating in information technology planning and development, evaluating, and researching vendor-supplied software and hardware, and submitting recommendations to management; monitors expenses.
- Upgrades network, server, and desktop infrastructure by conferring with vendors; developing, testing, evaluating, and installing enhancements.
- Prepares users by designing and conducting extensive training programs for various tax and accounting applications.
- Updates job knowledge by participating in educational seminars; reading professional publications; maintaining personal networks; participating in professional organizations such as the AICPA IT Section.
- Plans, designs, and maintains business website layouts and graphics.
- Manages web, email, and social media marketing strategies to increase visibility in the accounting/tax industry.

Quality of Staff Over Term of Contract

Murphy & Murphy, CPA, LLC's relatively small personnel turnover enables us to avoid rotating or reassigning personnel except when such reassignments are advantageous to our performance of the audit engagement. For continuity, Murphy & Murphy, CPA, LLC makes every effort to staff recurring audit engagements with the same personnel each year. In the unlikely event it is necessary to change engagement partners, managers, and supervisory staff for reasons other than their promotion or departure from the firm, any replacement of audit personnel will be made with professional staff who have at least the same, if not better, qualifications/experience than that of their predecessor. Any changes in personnel assigned to the audit team will be submitted in writing and will include a resume of the replacement personnel prior to making the substitution. The client retains the right to approve or reject replacements.

Commitment to Equal Opportunity Employment

Murphy & Murphy, CPA, LLC is committed to equal employment opportunity for qualified job applicants and employees. No employee or job applicant will be discriminated against because of race, religion, color, gender, sexual orientation, national origin, age, disability, genetic information, veterans' status, marital status, or any other characteristic protected by applicable federal, Maryland or local law. The composition of our firm is reflective of the City's commitment to equal opportunity employment.

References

Below is a list of similar engagements whereby we performed annual audits:

CITY OF FREDERICK	
Contact:	Ms. Patti Slimmer, Accounting Manager
Telephone:	(301) 600-1396
Email:	patti@cityoffrederick.com;
Scope of Work:	Audit conducted IAW GAGAS, incl. Single Audit
Date of Service:	June 30, 2016 to 2019
Total Hours:	795
	Awarded Certificate of Excellence in Governmental Reporting

TRI-COUNTY COUNCIL FOR SOUTHERN MARYLAND	
Contact:	Ms. Melinda Bowling, Finance Director
Telephone:	301-274-1922 x 820
Scope of Work:	Audit conducted IAW GAGAS, includes Single Audit
Date of Service:	June 30, 2010 to 2019
Total Hours:	240

BOARD OF LIBRARY TRUSTEES OF CHARLES COUNTY	
Contact:	Mr. KennethWayne Thompson, Director
Telephone:	301-934-3082
Scope of Work:	Audit conducted IAW GAGAS and MDSE reporting requirements
Date of Service:	June 30, 2008 to present
Total Hours:	234

Specific Audit Approach

Audit Methodology

Our objective is to make sure that you understand exactly what we are doing at every step of the engagement process and that you are satisfied with the assigned staff, the schedule, and delivery of our product. A good audit provides substantial information for management and is a valuable tool in recognizing opportunities and identifying areas that can be strengthened. We require that our engagements be properly planned, performed, supervised, reviewed, documented, and communicated in accordance with requirements of professional standards and regulatory authorities. Our partner and managers are actively involved in the planning and execution of the audit, which provides you direct access, either by being on-site or via telephone, to the professionals most familiar with your operations and ensures that the work will be performed properly and in accordance with the audit plan and time line.

Additional Value Beyond the Audit

We believe an audit should provide added value and insights to improve your organization. We maintain the highest standards in independence and professional ethics. Our standards allow us to complete high quality and respected audit work in the most efficient manner, while we simultaneously observe your operational and financial performance. By discovering ways to mitigate risk, streamline operations, and tighten controls, we can help you release more of your resources to assist the people you serve. Overall, we remain alert to any problems, efficiency improvements, and opportunities to add further value to your organization. For example, in conjunction with past audits, we have assisted clients with technical accounting questions, advised clients on internal controls, provided training on new pronouncements and on financial reporting systems, and have provided informal recommendations for improvements that may not have risen to the level of inclusion in a Management Letter but could strengthen the internal controls and operational efficiencies of our clients.

Auditing Standards

Audits of governmental entities are performed in accordance with U.S. generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants; generally accepted accounting principles (GAAP) as applied to state and local governments; and the generally accepted government auditing standards (GAGAS) set forth for financial audits in the U.S. Government Accountability Office's (GAO) Government Auditing Standards (2018 Revision), issued by the Comptroller General of the United States.

Commitment to Communication with Management

Communication is an important part of our audit process and is critical to a successful audit. During the planning phase, we will issue an engagement letter and communication letter that is required by auditing standards. Through all phases of the audit, we will meet with appropriate personnel and apprise them of our progress, answer questions as they develop and discuss any issues that may arise. Our audit manager will attend these meetings either in person or by conference call. At the conclusion of the audit, we will meet with appropriate management personnel to critique the review, explain all significant issues or findings, and address any questions.

Quality Control Procedures to Ensure a High-Quality Audit

We have stringent procedures in place to ensure that professional standards and governmental guidelines are followed when performing accounting and auditing work. These procedures are designed to provide reasonable assurance that our personnel will be competent and objective and will exercise due professional care. As mandated by the AICPA, a partner and manager are involved in the planning, fieldwork, and post-fieldwork review. Our audit manager is on-site to supervise and monitor the performance of staff to ensure that tasks are completed accurately and in a timely manner. In addition, a technical reviewer reviews the audit prior to issuance of reports. We use Financial Statement Disclosure checklists and Supervision, Review and Approval forms specially designed for Local Governments.

Client Confidentiality

We consider the security and privacy of our client's information to be of the utmost importance. We will keep the information related to this engagement in strict confidence. Other than the reports that we submit to the client, we will not publish, reproduce, or otherwise divulge such information in whole or in part, in any manner or form, or authorize or permit others to do so, taking such reasonable measures as are necessary to restrict access to the information, while in our possession, to those of our staff who must have the information on a "need to know" basis. Should we become aware or have reason to suspect a breach in security, we will immediately notify the organization's authorized representative in writing.

Audit Plan

We use a risk-based approach in conducting our audit. Risk identification is the first step of the audit process that provides the basis upon which the plan is developed. The risk assessment process involves consideration of the following types of risks:

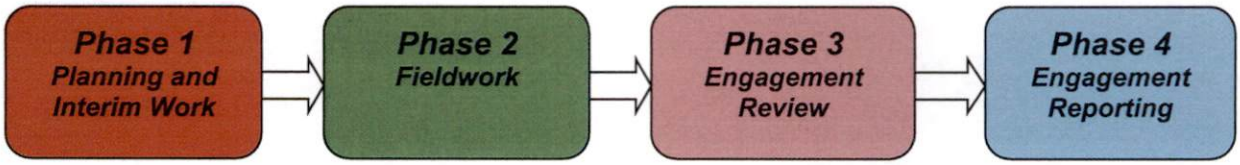
Inherent risk: That an error in the accounting and reporting process may occur
Control risk: That internal control systems designed to prevent/detect errors may fail
Audit detection risk: The risk that audit procedures may fail to detect errors

With this method of performing audits, we gain a thorough understanding of your operations and focus our audit procedures where risk is greatest. By focusing on your operations, our approach not only helps provide a more efficient audit, but also enables us to render specific client recommendations in our management letter at the conclusion of our audit. Knowledge about operating policies, geographical area served, and similar matters is important to understanding your financial statements, identifying critical audit components, and thus to the selection of auditing procedures. With this knowledge, we are in a better position to identify varying trends and, thereby, to understand the effect of changes on the governmental unit's fiscal affairs.

We will incorporate the guidance AU Section 316, *Consideration of Fraud in a Financial Statement Audit*, and AU Section 312, *Audit Risk and Materiality in Conducting an Audit*, in planning the audit. We will use the risk assessment approach to detecting fraud and will perform analytical reviews of revenue during the audit. Our audit team members will meet with the appropriate key management personnel to make inquiries about their awareness and understanding of fraud and discuss the types of controls that will deter and detect fraud. Our

audit team members will consider how and where the financial statements might be susceptible to material misstatement due to fraud. Throughout the audit, we will gather and assess information necessary to identify risks that may result in a material misstatement due to fraud. Should any evidence that fraud may exist come to our attention, we will make an immediate written report. As directed by the requirements of AU Section 325, *Communicating Internal Control Matters Identified in an Audit*, we will evaluate control deficiencies when identified, and communicate certain deficiencies to management and those charged with governance.

The audit will consist of the following significant phases:



Phase 1 – Planning and Interim Work

Much emphasis is placed on the planning and interim work phase of our audit engagements. We review the organization's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems we deem necessary to complete an entity profile that documents our understanding of the organization, its environment, and potential risks. The main objective is to identify significant areas and design efficient audit procedures that concentrate on the areas that have the greatest risk. During this phase of the engagement, we meet with key officials to discuss our specific audit plan and timing. In our meeting, we discuss specific forms, schedules, and other documentation that will be needed during fieldwork. With the proper planning, we can assure the audit fieldwork will be performed in a timely manner with minimal interruption to your staff.

Preliminary analytical review procedures are done in the planning stage. We review the trial balance and budget vs. actual reports to identify potential inaccuracies and problem areas. We use ratio and trend analysis to help us identify critical audit areas. We then calculate materiality levels for each fund types to be used to determine the amount of substantive testing that will be necessary. Also, we determine overall reasonableness of accounts and verify accounts that are individually insignificant, but, as a whole, exceed materiality. Our assessment of the internal control structure is done during this phase.

Study and Evaluation of Internal Controls

Our study and evaluation of internal controls concentrates on both activity level controls and entity-level controls. We begin our evaluation of internal controls by interviewing the appropriate individuals. Responses will be documented into our workpapers using a combination of preprinted checklists (internal control questionnaires), narratives, and flowcharts. Based on this information, we evaluate the design of internal controls and, where considered necessary, test to ensure compliance with the controls.

As part of our management advisory services, we review the client's internal accounting controls, including checks and balances among its personnel, as well as the client's computer system and other current accounting and financial procedures. We compare the client's present computer hardware and software with those of our other clients for possible recordkeeping improvement.

We use both statistical theory and auditor judgment as outlined in AU Section 350, *Auditing Sampling*. The sampling techniques we use include monetary unit or quantitative sampling and attribute sampling. Examples of attribute sampling would include tests of controls and compliance. We have found that for certain account balances or transaction classes, sampling for the performance of audit procedures may not be efficient. In those instances, it is often advisable to rely entirely on substantive tests and analytical procedures and not employ a sampling plan. We make these decisions during the planning phase of our audit.

During the planning phase of the audit, we work with finance personnel to determine how best to implement both current and proposed Government Accounting Standards Board (GASB) pronouncements and, if necessary, assist in coordinating any new requirements with outside parties. For the fiscal year 2020, this included **GASB 84, Fiduciary Activities**; **GASB 87, Leases**; **GASB 89, Accounting for Interest Cost Incurred before the End of a Construction Period**; and **GASB 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61**; and for fiscal year 2022, **GASB 91, Conduit Debt Obligations**. We offer these services as part of our audit process and will not charge additional fees in connection with the adoption of new GASB pronouncements.

Assistance to be Provided by City Staff

Our audit approach relies on minimal assistance from your staff so as not to disrupt your daily work activities. During our initial entrance conference, we review the detailed list of statements and schedules, specific forms, and other documentation that you intend to compile for us. As the documents and reconciliations prepared by your staff are made available, we determine how to best utilize your workpapers in the audit process. If additional documentation is required of you, we discuss this during the planning phase of the audit process. If required, we provide an updated list of schedules to be prepared by your staff prior to beginning fieldwork. We provide reasonable notice to your staff to prepare written or oral responses. If applicable, any reports prepared by the organization's internal auditors will also be evaluated prior to determining the extent of testing to include in our tailored audit programs.

Your staff and appropriate management personnel will be available during the audit to assist us by providing information, documentation, and explanations. In addition, your staff and appropriate management personnel will either locate and provide to us, or give us access to, any invoices we select for testing.

The organization's Information Technology (IT) personnel will be available to provide systems documentation and explanations. The IT personnel will provide computer time and the use of your computer hardware and software for inquiries and reports.

While on-site, we require reasonable workspace, desks or tables and chairs, as well as have access to the Internet and a photocopying machine.

Phase 2 - Fieldwork

Based on the results of the planning, interim work, and risk assessment, the audit manager develops an audit program that consists of the audit objectives, scope, methodology, and related concerns for the high-risk areas previously identified. The audit program includes detailed audit steps, tasks, and procedures to test. The audit manager assesses the information gained during the planning stage of the audit and determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. It is during the

fieldwork phase that these substantive tests are performed. Also, the audit staff tests to determine if the controls or procedures the organization has in place to prevent, eliminate, or minimize identified fraud risk threats are effective. Elements critical to a successful fieldwork process include: 1) tests of audit evidence, 2) conducting interviews, 3) audit sampling, 4) preparation of audit workpapers, 5) testing for compliance, and 6) developing preliminary findings.

Fieldwork involves account balance testing. We test account balances on a fund-by-fund basis. For each fund, we obtain supporting documentation for each material balance sheet account and test for accuracy and completeness. For certain accounts, such as cash and short-term notes, we may confirm balances directly with third parties. We test revenues and expenditures and perform a trend analysis (comparing current year balances with the prior year), and we compare actual revenues and expenditures to the budget. All large, unusual, or unfavorable variances are identified and tested further through inquiry and supporting documentation.

At the conclusion of fieldwork, we schedule an exit conference with appropriate management personnel to summarize results of fieldwork. We summarize audit findings and provide recommendations for improvement related to internal control weaknesses and program compliance matters in a formal management letter.

Phase 3 - Engagement Review

All detailed workpapers are reviewed by a senior accountant other than the preparer. Audit managers review all workpaper files, financial statements and all other related compliance, internal controls, and management recommendation reports. The audit manager performs a detailed review and the technical reviewer critically examine the draft financial report to assure compliance procedures and disclosures follow regulatory standards and pertinent authoritative literature. First, the technical reviewer determines whether required work was performed and documented. Secondly, the technical reviewer evaluates the audit documentation to verify it adequately responds to audit risk, and it supports the conclusions reached by the audit team. After the technical reviewer is satisfied that all required work was performed and documented, financial statement presentation is evaluated for completeness and form. In keeping with the requirements of *Government Auditing Standards* to document evidence of this review, a checklist is completed by the technical reviewer prior to issuance of the final reports. The engagement partner performs the final technical review and approves the issuance of the reports.

Phase 4 - Engagement Reporting

Upon completion of the audit of the fiscal year's financial statements, we meet with appropriate personnel to present our reports and letters. We discuss our recommendations for improving your operations, as well as any new accounting pronouncements, tax issues and other issues that may impact your organization and how to implement them. Any items that come to our attention that are not what we consider major items may be discussed verbally with appropriate management personnel and not included in the management letter.

In addition to issuing a management letter, it is our standard policy to issue a letter at the conclusion of the audit to inform the governmental entity of each of the following:

- Our responsibility under U.S. generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Quality of the entity's accounting principles
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Other matters considered required communication with those charged with governance

Working Paper Retention and Access

The workpapers for this engagement are the property of Murphy & Murphy, CPA, LLC and constitute confidential information. All working papers and reports will be retained, at our expense, for a minimum of five (5) years after the date the auditor's report is issued, unless we are notified in writing of the need to extend the retention period. In addition, we will respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Proposed Segmentation of the Engagement

The segmentation presented below is for a current fiscal year audit; however, we are available to commence the audit immediately upon acceptance of our proposal. The Timeline provides for regular meetings with the client and allows us to be responsive to your needs. Upon acceptance, the dates below can be amended to best suit your needs.

Segment	Time Line
Interim Work & Planning:	
Entrance conference to discuss prior audit problems, interim work to be performed, establish overall liaison for the audits, and develop a time schedule and procedures to be observed during the audit.	Week of July 18
Progress conference to summarize results of preliminary review and to identify key internal controls or other matters to be tested.	By July 25
Testing of internal control, including, but not limited to accounts payable, capital assets and payroll, selection of confirmations to be mailed, and updating all permanent file records.	Week of August 1
Provide a detailed audit plan and list of all schedules and documentation to be prepared and/or made available to us.	By August 10
Progress conference to discuss the year-end work to be performed.	Week of August 15
Fieldwork:	
Entrance conference to commence year-end audit work.	Week of Oct 3
Begin audit fieldwork.	Week of Oct 17
Progress conference to discuss any problems found during field work.	Week of Oct. 31
Complete all fieldwork.	By November 4
Exit conference to summarize results of fieldwork and to review significant findings.	By November 10
Engagement Review & Reporting:	
Provide draft auditor's report.	By November 18
Provide final report.	By Dec 2
Present audit report, if required.	TBD

Level of Staff and Number of Hours Assigned to Each Proposed Segment of Engagement

Level of Staff	Interim Work & Planning	Field Work	Engagement Review	Engagement Reporting
Partner	2	3	7	4
Manager	10	4	12	6
Supervisor	0	30	6	6
Staff	16	45	0	0
Clerical	0	0	0	20
Total	28	82	25	36

Sample Sizes and the Extent to Which Statistical Sampling is to Be Used in the Engagement

Statistical sampling is used when testing internal control and compliance, and in substantive testing. Sample sizes vary depending on the nature of the testing. For internal control and compliance, the actual number of transactions selected for testing will depend on the size of the population, our planned control risk assessment, and the expected number of deviations. Sample sizes can range from 23 to 138 potential selections for federal award program controls, and 20 to 90 for other controls. The actual number of transactions selected for substantive testing will depend on the determinations of materiality (by fund type), inherent risk, control risk, procedures risk, anticipated error, and book value of population. We expect to use sampling in auditing receivables, payables, and fixed asset additions.

Extent of Use of EDP Software in the Engagement

We determine the extent to which your information technology will be utilized on this engagement once we have completed our initial documentation of the EDP systems. In planning our audits, we consider the degree to which the organization uses its computer system to process accounting information because this factor influences the design of its internal controls. We obtain sufficient knowledge of the general computer controls to understand the policies and procedures that support the effective functioning of application controls by helping to ensure continued proper operation of the information system. We consider what procedures the computer performs and what data is stored in computer files. The extent to which computer processing is used in significant accounting applications, as well as the complexity of that processing, can also influence the nature, timing, and extent of audit procedures. We ascertain how your computer system is used while obtaining an understanding of the financial reporting system. We will inform the organization of the number of hours of assistance required from the Information Technology Department.

Secure File Transfer System

We use a secure file transfer system, **CCH Portal**, for the purpose of transferring files between our offices and clients. Clients can use this system to upload information for us by simply going to our website. This website notifies the audit manager when a transferred file is available for download. Clients using this site have restricted access to ensure the security of other client accounts.

Type and Extent of Analytical Procedures to Be Used in Engagement

We typically use analytical procedures to help us understand the governmental unit's operations and to identify audit areas for testing. Preliminary analytical review procedures include comparing the unaudited trial balance and budget vs. actual reports to prior year amounts to identify potential inaccuracies and problem areas. We review ratio and trend analysis to help us identify critical audit areas. During fieldwork, we use analytical procedures to determine overall reasonableness of accounts and verify accounts that are individually insignificant, but, as a whole, exceed materiality. Predictive tests for return on investments, and interest reasonableness are examples of analytical procedures we use. During the engagement review phase, we will compare final audited balances to prior year actual and budgeted revenues and expenditures and analyze significant variances that could be of importance to the management and/or citizens of the organization.

Approach to Be Taken to Gain and Document an Understanding of the Organization's Internal Control Structure

The most valuable services we offer as part of the audit process is understanding the organization's internal control structure and providing recommendations to improve internal control. An effective control system provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and the compliance with laws and regulations. During the planning stage of the audit, we evaluate your internal control structure, and document our assessment of control risk, even if we will not be relying on the controls. Our first step is to review the prior years' audit documentation and to make inquiries of the organization's personnel regarding system operations. We then request any client-prepared documentation of the internal control structure, such as policy and procedure manuals, personnel manuals or other means used to give the employees an understanding of their roles and responsibilities regarding financial reporting controls. Lastly, we conduct an observation of the organization's system in operation by performing transaction walk-throughs. A key step in the risk assessment process is identifying changed conditions and taking necessary actions. This involves identifying and communicating both external and internal events or activities that may affect the organization's financial reporting objectives and analyzing the associated risks. Risks relevant to the financial reporting process may arise due to the following:

- Changes in the organization's operating environment
- New personnel
- New or revised information systems
- Rapid growth within the organization
- New technology
- New lines, products, or activities
- Restructuring within the organization
- New accounting pronouncements

The earlier these risks can be identified, the more effectively we can deal with them. Therefore, we discuss these risks with appropriate management personnel during our entrance conference.

Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out. Control activities usually involve two elements: (a) a policy that establishes what should be done and (b) the procedure that implements the policy. We need knowledge of control activities to identify types of potential misstatements and to consider factors that affect the risk of material misstatement and to design substantive tests. Once we know what the organization's controls are, we evaluate their operating effectiveness by making inquiries of appropriate management personnel and staff, inspecting documents and reports, observing the operation of the control, and re-performance of the control. Once the internal control structure is documented, we determine the nature, timing, and extent of our control testing.

Approach to Be Taken in Determining Laws and Regulations That Will Be Subject to Audit Test Work

Following the guidance of AU Section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, during the planning phase of the audit, we compile an entity profile that documents our understanding of the organization, its environment, and potential risks. We ascertain what laws and regulations may have a direct and material effect on the determination of financial statement amounts and on each major federal award program. We accomplish this by reviewing prior auditor's workpapers, sections of Maryland's Annotated Code, grant agreements, minutes of meetings of the elected officials, compliance requirements for federal financial assistance programs, and by reading local laws, ordinances, and policies. We then prepare a general risk analysis on the list of significant provisions of laws and regulations.

MURPHY & MURPHY, CPA, LLC

ATTACHMENT

SYSTEM REVIEW REPORT

Clark & Anderson, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

7678 Quarterfield Road, Suite 101
Glen Burnie, Maryland 21061
Phone: 410-766-5400
Fax: 410-766-5518
email: cpa@cacpas.net
web: www.clarkandanderson.com

Report on the Firm's System of Quality Control

February 23, 2021

To the Partners of
Murphy & Murphy, CPA, LLC
and the Peer Review Committee of the
Coastal Peer Review, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Murphy & Murphy, CPA, LLC (the firm) in effect for the year ended March 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act and an audit of an employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Murphy & Murphy, CPA, LLC in effect for the year ended March 31, 2020, 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.* Murphy & Murphy, CPA, LLC has received a peer review rating of *pass*.

Clark and Anderson, P.A.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

THE CITY OF GLENARDEN, MARYLAND

COST PROPOSAL
FOR
AUDITING SERVICES

Murphy & Murphy, CPA, LLC
108 La Grange Avenue
La Plata, MD 20646
(301) 609-7515
(301) 609-7510 – Fax

JUNE 16, 2022

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PRICE PROPOSAL

Total All-Inclusive Maximum Price

Name of firm: Murphy & Murphy, CPA, LLC

Total All-Inclusive Maximum price:

For the fiscal year ending June 30, 2022	$29,805
For the fiscal year ending June 30, 2023	$31,648
For the fiscal year ending June 30, 2024	$33,250

Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF: FY 2022 FINANCIAL STATEMENTS

	Hours	Standard Hourly Rates	TOTAL
Partners	16	290	$ 4,640
Managers	32	260	8,320
Supervisory Staff	42	180	7,560
Staff	61	125	7,625
Other (specify): Clerical	20	83	1,660

Out-of-pocket expenses	0
Meals and lodging	0
Transportation	0
Other (specify):	0
Total all-inclusive maximum price for FY 2022 audit	$29,805

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF: FY 2023 FINANCIAL STATEMENTS

	Hours	Standard Hourly Rates	TOTAL
Partners	14	350	$4,900
Managers	26	286	7,436
Supervisory	41	195	7,995
Staff	69	135	9,315
Other (specify): Clerical	22	91	2,002

Out-of-pocket expenses	0
Meals and lodging	0
Transportation	0
Other (specify):	0
Total all-inclusive maximum NOT to exceed price for FY 2023 audit	$31,648

Proprietary Information – Business Confidential

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF: FY 2024 FINANCIAL STATEMENTS

	Hours	Standard Hourly Rates	TOTAL
Partners	10	385	$ 3,850
Managers	24	315	7,560
Supervisory	41	210	8,610
Staff	74	145	10,730
Other (specify): Clerical	25	100	2,500

Out-of-pocket expenses	0
Meals and lodging	0
Transportation	0
Other (specify):	0
Total all-inclusive maximum NOT to exceed price for FY 2024 audit	$33,250

BACKGROUND INFORMATION

NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

In accordance with the request for Proposal for Audit Services issued by City of Glenarden, the firm referenced below hereby submits the following cost proposal:

	Year Ending June 30th			
2022	**2023**	**2024**	**2025**	**2026**
29,805	31,648	33,250	33,950	34,600

Basic Reports to be issued:
City Audit & Management Letter

Total

Additional Audit Reports to be Requested At City Option:

Single Audit

Transient Occupancy Tax

Total

In addition, please include below an hourly fee quotation and hours proposed for all positions to be assigned to the audit:

	Hours	Hourly Rate
Partners	10-16	290-400
Managers	24-32	260-330
Supervisory Staff	42-40	180-220
Professional Staff	61-78	125-160
Clerical/ Support Staff	20-26	83-115

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the City, for the services identified in the Request for Proposal.

Firm Name: Murphy & Murphy CPA LLC

Signature: Tera Johnson

Printed Name: Tera Johnson

Title: Office Manager

Date: 06/16/22

Rates for Additional Professional Services

We would be pleased to provide additional specialized services over and above the scope of our audit engagement throughout the entire contract period to either supplement the services requested in the Request for Proposal such as financial consultation; accounting; assistance with grant administration, payroll, and employee benefits; computer hardware and software selection and maintenance; and other management advisory services, or to perform additional work as a result of the specific recommendations included in any report issued on this engagement. The additional specialized services would be provided at the same rates for each fiscal year set forth in the Schedule of Professional Fees and Expenses included in the Price Proposal, and are in addition to, and separate from, the audit fee. The additional work will be performed only if set forth in an addendum to the contract between the City and us. Any such additional work will be agreed to between the City and us prior to commencement of the additional work.

Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement. Interim billings shall cover a period of not less than a calendar month and will be in accordance with the following schedule:

- Completion of field work
- Rendering of draft report
- Rendering of the final audit report and all other reports required