



City of Hendersonville, North Carolina

A Proposal to Provide Assurance Services

Part II – Cost Estimate



**GOULD KILLIAN
CPA GROUP, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

January 2024



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January 24, 2024

To: City of Hendersonville

We are pleased to submit the second (cost) section of our proposal in response to your Request for Proposal for Auditing Services. You will note that significant time is performed by principals of our firm. We believe this provides the best experience and consistency with an audit. It greatly reduces frustration for our clients - - we have learned this over the years of Gould Killian providing audit services for NC governmental entities of all sizes.

Thank you,

Gould Killian CPA Group, P.A.

Daniel R. Mullinix, CPA
Principal

Requested Information

Item 1 – Audit Programs.

Gould Killian uses a risk-based, common sense approach to auditing. We start with standard governmental audit programs and tailor them based upon our understanding of the internal control structure and the overall inherent and control risks for each type of transaction and account balance. Our goal is to provide a thorough and meaningful audit while eliminating unnecessary steps that cause inefficiencies and do not add value.

Item 2 – Use of Statistical Sampling.

We will design our audit procedures based on our understanding of the Town's operations, transactions, and account balances obtained during planning procedures. We will employ a variety of techniques including analytical procedures, inquiry and confirmations, inspection of records, observation, and recalculation. Where appropriate, we will use computer-assisted auditing techniques (CAAT) and will request information be provided in electronic format to facilitate such procedures. Audit sampling will be used as appropriate for certain transactions, account balances, internal controls, and compliance requirements.

Item 3 – Automated processes and internal control testing methods.

The City's automated and internal controls will be evaluated at a general level as part of the planning process to the extent that the financial reporting process relies on them. Our procedures will include questionnaires, interviews, and observation as part of our walkthrough of identified key controls. Testing of these controls will be performed based on the magnitude and benefit of the controls in relation to the financial statement audit as a whole.

Item 4 - Computer Audit Specialists.

The Town's IT environment and controls will be evaluated at a general level as part of the planning process to the extent that the financial reporting process relies on them. Our procedures will include questionnaires, interviews, and observation as part of our walkthrough of IT general controls. Typically, these procedures are performed by members of your engagement team. However, if we find that bringing in a specialist is warranted due to the highly complex nature and heavy reliance on technology that could have a significant impact on the financial reporting process, we will do so.

Requested Information

Item 5 - Audit Team.

Our commitment will include a **high level of continued involvement from Travis Keever, Principal**, assigned to the engagement. We expect the principals to perform approximately **40%** of the work.

% of the engagement services based on hours. We will be fully engaged with your management team to ensure an efficient audit and address all concerns and questions in a professional and timely manner.

Staffing % of Total Audit Hours				
	Staff	Supervisor	Principal	Total
No. of Individuals	2	1	1	3
% of Total Audit Hours	25%	35%	40%	100%

Item 6 - City Assistance.

The assistance to be provided as mentioned in the proposal letter appears adequate. In general, we expect items outlined in our Prepared by Client List to be made available at the beginning of fieldwork, selections made by us to be pulled in a timely manner, and for you to prepare any necessary calculations and to prepare and post year-end closing entries prior to providing us with the trial balance. We may request additional information or data to obtain a greater understanding and for testing of particular accounts, or to expand our analytical analysis for particular transactions. We will tailor our audit and related documentation to use as much of management's schedules as possible to limit re-work and to focus more on providing a quality audit than creating documentation.

Requested Information

Item 7 – Tentative Schedule.

Tentative Schedule	Timing	Staff Level
Planning procedures including: <ul style="list-style-type: none"> – Planning conference with Management, – Audit planning to include updating of tailored audit programs, documentation of initial risk assessments, the general audit approach implementation, organizational charts, manuals and programs, and development of initial overall audit plan, and – Provide a list of items needed for interim. 	June/July	-Principals -Supervisor
Interim fieldwork including: <ul style="list-style-type: none"> – Finalize systems documentation and walkthroughs, – Preliminary review, – Setup and linking of the financial statements, – Provide client a list of items needed for year end, and – Periodic management conferences. 	June/July	-Principals Supervisor -Staff
Final fieldwork including: <ul style="list-style-type: none"> – Testing of June 30th accounts / funds, – Substantive analytical analysis, and – Final trial balance. 	August/September	-Principals -Supervisor -Staff
Other: <ul style="list-style-type: none"> – Review of audit work papers and documentation—in the field. – Periodic management conferences including an exit conference prior to completion of fieldwork. 	During interim and final fieldwork	-Principals -Supervisor
Review final draft for management review; preparation of communication reports to the Council; review financial statement draft.	September	-Principals
Completion by October 31 and presentation of audited financial statements and communication to the Council.	October - November	-Principals

Requested Information

Item 8 and 9 – Fee Summary Details. (cost sheet shown separately)

The following is a summary of our proposed professional fees for the next three years:

	FY 24 <u>Binding</u>	FY 25 <u>Estimate</u>	FY 26 <u>Estimate</u>
Fixed Fees:			
Base Audit Fee	\$ 42,450	\$ 44,450	\$ 46,450
Financial Statement Preparation	<u>7,500</u>	<u>8,500</u>	<u>9,500</u>
TOTAL FIXED FEES	<u>\$ 49,950</u>	<u>\$ 52,950</u>	<u>\$ 55,950</u>
<u>Additional Fees:</u>			
Additional accounting services	Hourly Rate		
Single Audit, per major program	<u>\$ 3,950</u>		

	On-site Interim	On-site Year- End	Office Work	Total # of Hours	Rate/Hour	Total
STAFF & SENIOR	20	60	20	100	\$ 125	\$ 12,500
SUPERVISOR	20	60	20	100	175	17,500
PRINCIPALS	15	40	15	70	285	<u>19,950</u>
	<u>55</u>	<u>160</u>	<u>55</u>	<u>270</u>	<u>\$ 185</u>	<u>\$ 49,950</u>

SUMMARY OF AUDIT COSTS	
Personnel costs	\$ 49,950
Report production	-
Travel time	-
Travel costs	-
Total Proposed Fee - FY 24	<u>\$ 49,950</u>

Basis for determining cost estimate after first year:

We assumed the pricing over a three year period. We will evaluate the time involved after first year of the audit and discuss time involved with the finance director to arrive at each year's fixed fee after FY24 has been completed. If time involved significantly exceeds the total hours estimate, we would ask for an adjustment in price in the next year's audit fee.

Item 10 – Summary of Audit Costs Sheets

See attached document.

OTHER INFORMATION

Gould Killian Values.

At GK, quality services delivered in a professional and courteous manner are the key to our success in building strong, long-term client relationships. We believe that the financial information we report is meaningful; therefore, it is important that the work we do and the advice we give is accurate, reliable, clearly communicated, and timely. We believe to generate such work requires strong technical skills, broad experience, intimate knowledge of the client, and professional curiosity. It also requires a methodical and comprehensive approach, critical thinking, and a proactive use of our technical skills.

Gould Killian's business model is simple. We are committed to providing high quality, professional work at competitive rates with high involvement from our managers and principals.

- We are a local firm, specializing in providing governmental auditing services in Western North Carolina.
- We provide a full range of flexible services. There are no "one-size fits all" audits. Our customized, common sense approach allows us to maximize efficiency and value to the Town. We have the ability to provide any other services the Town may need.
- Our audit team is composed of energetic and personable professionals with a high degree of technical skills and experience. We realize the transition process can be difficult for any auditee. We make every effort to smooth the transition by providing clear communication during every step of the process.

Gould Killian Audit Approach.

Audit Plan—Key Fundamentals. At GK, the following fundamentals are critical to complete a quality audit within a defined timetable, and result in a successful engagement and client relationship:

- A tailored audit program based upon our understanding of the internal control structure and the overall inherent and control risks for each type of transaction and account balance.
- The use of software to house all audit programs and documentation in electronic form. All work completed by our staff is available for immediate review in the office or at the client location through the use of online systems to transmit information securely.
- Effective planning and coordination with client staff.
- All possible upfront audit procedures will be performed as early as possible depending on availability of information.
- Properly handle the transition issues upfront and obtain as much knowledge as possible about the operations of the client including reviewing available systems documentation and general ledger structure.
- The timely review by the senior, senior manager and principal.