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7/8/2014  
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CONWAY COMPANY CPAs, PC

P.O. Box 8234

8910 Wesley Street, SUITE D

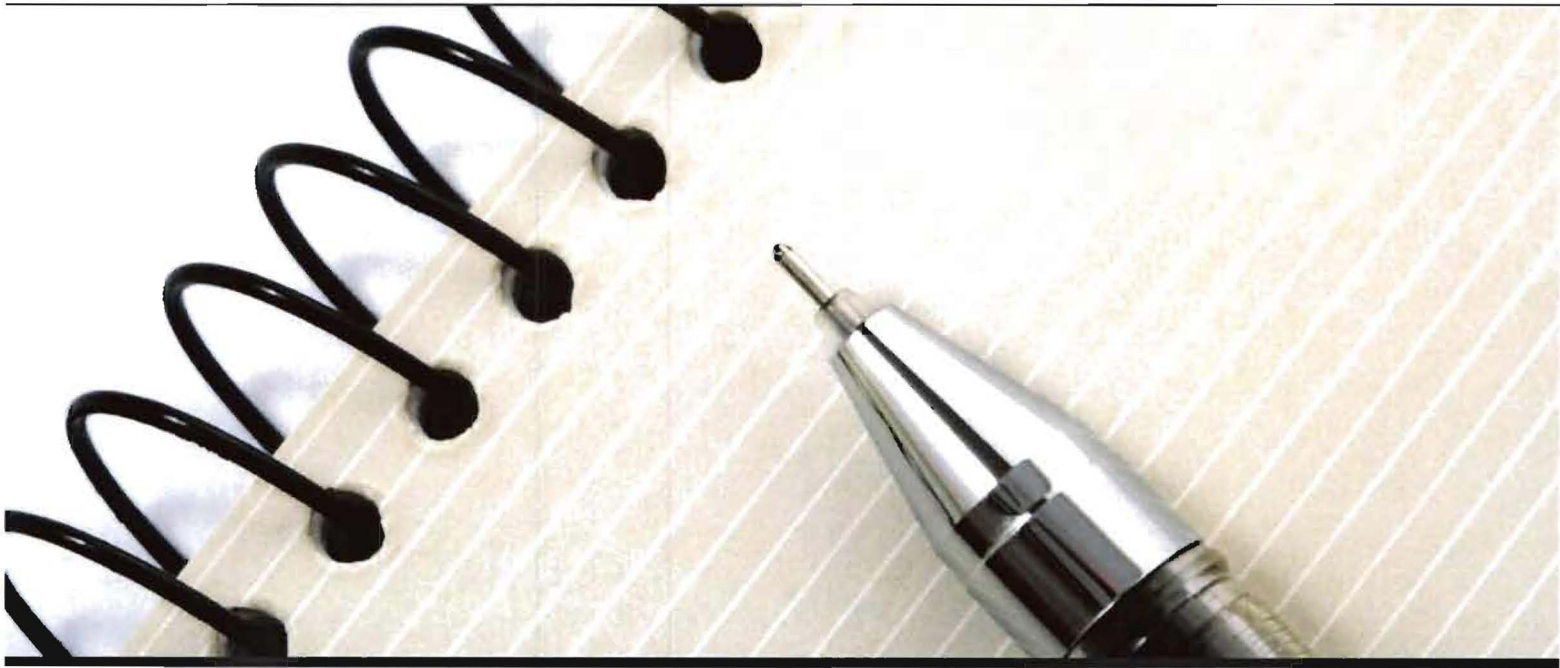
Greenville, Texas 75404-8234

**RFP FINANCIAL AUDIT SERVICES**

TITUS COUNTY AUDITOR'S OFFICE

100 West First Street Suite 202

Mt. Pleasant, TX 75455



# **CONWAY COMPANY CPAs, P.C.**

**Certified Public Accountants**

**P O Box 8404**

**Greenville, Texas 75404**

**903.450.1200**

**Audit Proposal**

**Titus County, Texas**

**July 9, 2014**



Michael Conway, CPA  
Neil Conway, CPA

Toll Free (800) 594-7951  
Metro (903) 450-1200

**CONWAY COMPANY CPAs PC**  
**ACCOUNTANTS & ADVISORS**

[www.conwaycpas.com](http://www.conwaycpas.com)

PO Box 8234  
Greenville, Texas 75404-8234

**Member**  
American Institute of CPAs  
Texas Society of CPAs

July 8, 2014

The Honorable Judge and Commissioners' Court  
Titus County  
Mount Pleasant, Texas

Enclosed with this letter is our proposal to perform a financial statement audit for the year ending in September 30, 2014 to determine whether the financial statements of Titus County, Texas present fairly the financial position of the governmental activities, each major fund, and the aggregate remaining fund information and the respective changes in financial position and the respective budget comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We will provide an "in-relation-to" statement on the combining and non-major fund type statements and supplementary schedules based on the auditing procedures applied during the audit of the basic financial statements. If required or requested by Titus County, we will add a Single Audit in compliance with the requirements of OMB Circular A-128A which is required when certain federal financial assistance thresholds are reached.

**This proposal will be in effect for 45 days subsequent to the RFP closing date of July 9th.**

The following person is authorized to answer technical, price, and /or contract related questions:

Michael Conway, CPA  
8910 Wesley St  
Greenville, Texas 75404  
(903) 450-1200

Thank you for the opportunity to provide a proposal for this audit.

Regards,  
CONWAY COMPANY CPAs, PC

*Conway Company CPAs, P.C.*

## Executive Summary

As the Titus County, Texas continues to grow, it will share the challenges of many North Texas cities and counties which have experienced a combination of a change in demographics and influx of new businesses. This promotes the need for a specialized and experienced accounting firm with the background to aid the County in navigating the set of challenges unique to growing North Texas cities and counties. Conway Company CPAs, P.C. (Conway CPAs) specializes in governmental audits and benefits from over a decade of experience of providing expert advice and service to growing cities and counties similar to Titus County.

The ability to provide expert advice and service stems from the unusually high retention of experienced and qualified employees. This low turnover at Conway CPAs promotes both gaining experience with particular clients and transferring that knowledge to newer clients that typically have similar challenges. As well, the field of government accounting requires a particularly high level of knowledge that favors more experienced professionals. So, Conway CPAs competitive advantage is with its experienced staff that has a deep background in this field.

In addition to our high retention of qualified employees, Conway CPAs has focused on specializing in a few industries such as Government Accounting. 87% of the audits performed by our audit department are either non-profits or government clients. 63% are purely government audits. This specialization allows us to focus our continuing professional education on government and non-profits. Additionally, the audit staff spends most of their time throughout the entire year gaining experience with government and non-profits. This specialization provides benefits to our clients in that they receive timely and well tested advice.

Although our experience and high retention level prove important to our high level of advice and service, part of the overall quality of our audit report is achieved because of our extensive use of compliance checklists. We make use of industry standard PPC Thompson checklists, Peer Review checklists, and the GFOA checklists for monitoring the compliance and quality of our audits. As well, we maintain memberships in professional organizations such as the GFOA and routinely purchase publications from them. All of this promotes accurate and industry compliant Comprehensive Annual Financial Reports.

Given the high retention level of our staff, the depth of our experience, and our extensive use of compliance checklists, we provide a unique set of talents for auditing government entities. Our high level of service and experience makes our audit team the best at what they do. We hope to provide Titus County our advice and service that has benefitted many growing North Texas counties.



# Table of Contents

<b>Title Page</b>	<b>1</b>
<b>Transmittal Letter</b>	<b>2</b>
<b>Executive Summary</b>	<b>3</b>
<b>Table of Contents</b>	<b>4</b>
<b>Quality Control Review</b>	<b>5</b>
<b>External Quality Peer Review</b>	<b>6</b>
<b>Firm Background &amp; Audit Approach</b>	<b>7</b>
<b>Proposed Timeline</b>	<b>11</b>
<b>Contingencies</b>	<b>12</b>
<b>References</b>	<b>13</b>
<b>Affidavit</b>	<b>16</b>
<b>Conclusion</b>	<b>17</b>
<b>Audit Approach</b>	<b>18</b>
<b>Bid Proposal</b>	<b>23</b>
<b>Hourly Rate</b>	<b>27</b>
<b>Billing Procedure</b>	<b>28</b>

## **Quality Control Review**

On the following page please find the opinion letter for our most recent external quality control review (peer review). This peer review included a review of governmental engagements. The result of this peer review was a “pass with no comments” (clean) opinion.

No disciplinary action has ever been taken against Conway Company CPAs, P.C. during its entire existence.



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**AICPA Peer Review Program  
and TSCPA Peer Review Program**  
Administered by the Texas Society of CPAs



February 18, 2014

Michael M Conway, CPA  
Conway Company CPAs PC  
Po Box 8234  
Greenville, TX 75404

Dear Mr. Conway:

It is my pleasure to notify you that on February 17, 2014 the Texas Society of CPAs 2013-14 Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2016. 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.

Sincerely,

Jerry L. Cross, CPA  
Director, Peer Review  
jcross@tscpa.net 800 428-0272

cc: Rebecca Annette Roberts

Firm Number: 10148162

Review Number 350775

Letter ID: 863968

## **FIRM BACKGROUND AND AUDIT APPROACH**

### Independence

Conway CPAs is independent of the Titus County as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards (1994). Conway CPAs has not had a professional relationship involving Titus County during the past five (5) years.

### License to Practice in Texas

Conway Company CPAs, P.C. is licensed to practice in Texas. Neil Conway, the partner in charge of the audits, is a CPA licensed in Texas who has met all professional requirements for auditing governments. All personnel assigned to perform audits are supervised by CPAs licensed in Texas.

### Firm Qualifications and Experience

Conway CPAs' offices are in Greenville, Commerce and Rockwall, Texas. There are seven CPAs in the firm. There are a total of twenty personnel in the firm.

Of the twenty staff members, eight full time employees perform audits for nearly 100% of their work schedules. 63% of our audits are government audits and so two thirds of their work is devoted to government audits. Of the eight audit employees, three are CPAs and one is going to be sitting for the exam.

For Titus County's audit, we would assign three people: one CPA and two non-CPAs. For Titus County, we will also assign a CPA who is not involved with the County's audit to perform a third party review. The third party review role is specifically assigned to someone not involved in the fieldwork of the audit in order to provide a fresh perspective in reviewing.

The audit would be performed from the City of Greenville, Texas office. This is an estimated 43 miles from Titus County.

### Electronic Data Processing

Conway CPA's uses a program called "First Research" for compiling analytical procedures and industry comparisons. Excel and Monarch software is used to extract trial balance and general ledger data.

The firm maintains guidance from publications and organizations such as GFOA. We also keep track of the latest pronouncements by GASB, FASB, and AICPA.

### Partner, Supervisory and Staff Qualifications and Experience

The audit of Titus County would be supervised by Neil Conway, CPA, the partner in charge of audits. Susie Erickson would be the manager in charge of the audit. Susie Erickson would perform tasks such as setting up audit schedules and preparing the



financial statements. Finally, staff will perform tasks such as audit fieldwork for Erickson.

Erickson would be involved in the day to day fieldwork and signs off on all workpapers that she does and that other staff help her create. Erickson would be the main contact person on this audit. Conway reviews and supervises audit progress. He would make sure that staffing is adequate and that all new accounting and auditing principles and procedures are applied to the audit. O'Connor would provide an independent third party review for the audit.

Michael Conway, the managing partner of the firm, is the final reviewer of the report and the audit workpapers. He also performs the audit presentation and answers questions during the presentation along with Neil Conway.

#### **Managing Partner**

Michael Conway, CPA is the managing partner of the firm. He will also be the concurring partner on the audit. Conway is licensed to practice as a certified public accountant in the State of Texas.

Conway is a graduate of The University of Texas at Arlington, BBA and The University of North Texas, MBA. He became a CPA in 1969. His audit experience began in 1968 to 1970 when Conway was an auditor with Grant Thornton & Company, CPAs. After a stint in industry as a controller and vice president-finance, Conway formed Conway Company CPAs, P.C. in 1994.

#### **Audit Partner**

The audit will be supervised by Neil Conway, CPA who is an owner of the firm and is its Audit Partner. He will function as manager of the audit.

Neil Conway, CPA is a 1994 graduate of Baylor University in Accounting. Conway was a senior accountant with JPI, Inc. for five years before he joined Conway Company. He has eight years governmental audit experience with Conway Company and supervises its audits. Conway is licensed to practice as a certified public accountant in the State of Texas. Conway is a member of the Texas Society of Public Certified Accountants.

Conway has performed several single audits during his ten years with the firm. As well, he has experience collaborating with grant administrators on audits. Conway has experience with the specific compliance requirements of federal grants.

Relevant CPE for Conway in the past 3 years:

2013 Texas CPA Technology Conference – 16 hours  
Computer Fraud – 8 hours  
Annual Update for Accountants and Auditors – 8 hours  
Fraud Update – 8 hours  
Governmental and Nonprofit Annual Update – 8 hours  
Yellow Book in Depth – 24 hours  
Texas Ethics - 4

**Audit Staff Resumes**

Susie Erickson, CPA, Manager is a graduate of Baylor University and is a CPA. Erickson has ten years of government audit experience and over 20 years of accounting experience. She would perform on site field work and prepare statements and schedules. Erickson is licensed to practice as a certified public accountant in the State of Texas.

Relevant CPE for Erickson in the past 3 years:

Government Auditing Standards – 14 hours  
Accounting and Auditing – 102 hours  
Professional Ethics – 4 hours

Carron Prigmore is one of the staff persons assigned to many of the tests and examinations of transactions. Prigmore was a seven year accounting employee for the City of Greenville, Texas where she has obtained an in-depth understanding of governmental accounting. She has been the audit administrator for Conway CPAs since 2003

Prigmore has performed field work tests involving grants and single audits. Prigmore has collaborated with grant administrators to perform compliance tests for specific grants.

We will assign tasks that do not require auditing expertise to other staff. This can be up to **20 hours** of work assigned.

Lisa O'Connor, CPA, Manager will be the audit manager assigned to perform third party pre-release reviews and to prepare some schedules and statements. O'Connor is a graduate of Tulane University. She has over eighteen years of accounting experience with ten years of experience in public accounting. She is knowledgeable regarding required disclosures and reporting requirements. O'Connor is licensed to practice as a certified public accountant in the State of Texas.

Conway Company CPAs, P.C. currently has six municipal water utility districts and water supply corporations that we audit yearly and over twenty cities that have water and wastewater funds that are audited yearly.

### Prior Engagements with Titus County

Conway Company CPAs, P.C. has not performed audit services for Titus County in the past five years.

### Specific Audit Approach

Conway CPAs uses a risk based audit approach and has for several years. The approach differs from traditional auditing in that a traditional audit requires a generic paper based approach to verifying records. A risk based approach requires that the CPA determine which areas are most in need of testing. This creates a more meaningful audit that is more helpful to the client in terms of advice given and problems solved. This approach is now required by the AICPA.

As mentioned earlier, we take advantage of standard checklists that allow us to put or keep the client in compliance with GASB and GFOA requirements. The items on these checklists are not easily interpreted. So, our in depth experience at governmental accounting allows us to provide a higher level of service in helping the client comply with requirements.

Based on the risk assessments, these procedures may change year-to-year. Also, rotating procedures are used by the auditor so that different areas may be tested.

### Review of CAFR for Government Finance Officers Association's Certificate of Achievement for Excellent in Financial Reporting

Conway has successfully aided several clients achieve the GFOA award. We have a deep level of experience with requirements specific to GFOA and adapt our audit reports to reflect those requirements. We believe any of our CAFR's produced by Conway is capable of achieving this award.

**PROPOSED SCHEDULE AND UNDERSTANDING OF WORK TO BE PERFORMED BY TITUS COUNTY**

**Preliminary Planning Meeting** **Aug**

*Requested from staff: 2 to 3 hours of planning time and discussion about use of personnel and scheduling.*

*Estimated County staff time: 3 hours*

**Interviews with Personnel** **Aug**

*Requested from staff: 1 hours of interview time for at least 3 staff members including at least one person not involved in finances.*

*Estimated County staff time: 3 hours*

**Pre-Audit Procedures** **Sept**

*Requested from staff: Help us set up the confirmation process for Titus by providing names and addresses of banks and bonding companies. We will also take this time to review minutes and your policies and procedures manual.*

*Estimated County staff time: 3-6 hours*

**Audit Procedures** **Nov 15**

*Requested from staff: Trial balance in excel, and general ledger in text file format from your accounting system specifically for the County for twelve months ended Sep 30, 2014. We can help you create these files as we have done it before using multiple accounting systems. We will perform most of our transaction testing during this time period and would need someone to help us pull invoices and deposit backup. Answer questions related to analytical procedure findings.*

*As well, we will need help with the following:*

*Accounts Receivable and Accounts Payable detail. Fixed Assets schedules*

*Estimated County staff time: 20 hours*

**Report** **Dec 20**

*Requested from staff: Answer final questions about issues related to fieldwork. Produce transmittal letter and work with Conway on Management Discussion & Analysis.*

*Provide stat table data.*

*Estimated County staff time: 7 hours*

**Final Report** **Jan**

## CONTINGENCIES

Certain contingencies would require us to adjust our fee. They include (but are not limited to):

- If the County does not have reasonably accurate bank reconciliations for each of the 12 months of the year, we would need to add fees at our hourly rate for related bookkeeping and required adjustments to our audit procedures. We define "reasonably accurate" as correct within a \$500 margin of error.
- Once the County gives us their trial balance (accounting records), they must not change any information on or before September 30, 2014. We would charge for additional time spent re-entering the accounting records into our audit software.
- If the County does not have processes and records in place that are typical of a County government, we would adjust our fees. For instance, a County that does not monitor the accuracy of utility receivables would cause us to add our hourly rate for accounting assistance.
- The County Judge will be notified in writing if any additional fees will be charged.

*Similar Engagements with Other Government Entities*

*City of Mount Pleasant, Texas*

*2003 to 2013*

Similarities to the County: The City of Mount Pleasant is comparable to Titus County in that it shares many accounting issues that the County is likely to have including road infrastructure maintenance and projects and debt management.

Contact Person: Brenda Reynolds  
Title: Finance Director  
E-mail: [breynolds@mpcity.org](mailto:breynolds@mpcity.org)  
Phone: (903) 575-4000  
Address: 501 N. Madison  
Mt. Pleasant, TX 75455

Partner: Neil Conway approx. 20 hours  
Manager: Susie Erickson approx. 120 hours  
Staff: Carron Prigmore approx. 160 hours  
Carmen Maynard approx. 40 hours  
Third Party Review: Stacey Campbell approx. 10 hours

**Total Hours 350 hours**

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*City of Kaufman, Texas*

*2011 to 2013*

Similarities to the County: The City of Kaufman is smaller in size compared to the County; however, it shares many accounting issues that the County is likely to have including managing debt and infrastructure projects.

Contact Person: Vivian Leverington  
Title: Finance Director  
E-mail: [kaufmanfinance@kaufmantx.org](mailto:kaufmanfinance@kaufmantx.org)  
Phone: (972) 932-2216  
Address: 209 S Washington  
Kaufman, TX 75142

Partner: Neil Conway approx. 20 hours  
Manager: Kayla Murphree approx. 110 hours  
Staff: Veronica Herrera approx. 105 hours  
Michelle Staples approx. 80 hours  
Third Party Review: Susie Erickson approx. 10 hours

**Total Hours 325 hours**



*Franklin County, Texas*

*2011 to 2013*

Similarities to the County: Franklin County shares many accounting issues that the County is likely to have including managing debt and infrastructure projects.

Contact Person: Tina Phillips  
Title: County Auditor  
E-mail: [tphillips@co.franklin.tx.us](mailto:tphillips@co.franklin.tx.us)  
Phone: (972) 932-2216  
Address: 502 E Main St  
Mt Vernon, TX 75457

Partner: Neil Conway approx. 10 hours  
Manager: Kayla Murphree approx. 90 hours  
Staff: Veronica Herrera approx. 105 hours  
Michelle Staples approx. 70 hours  
Third Party Review: Lisa O'Connor approx. 10 hours

**Total Hours 285 hours**

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*East Cedar Creek Fresh Water Supply District*

*2006-2014*

Similarities to the County: The East Cedar Creek Fresh Water Supply District shares issues that the County is likely to have including managing debt and infrastructure projects.

Contact Person: Bill Goheen  
Title: Executive Director  
E-mail: [bgoheen@eastcedarcreek.net](mailto:bgoheen@eastcedarcreek.net)  
Phone: (903) 887-7103  
Address: P O Box 309  
Mabank, TX 75147

Partner: Neil Conway approx. 7 hours  
Manager: Susie Erickson approx. 50 hours  
Staff: Carron Prigmore approx. 50 hours  
Carmen Smith approx. 35 hours  
Third Party Review: Lisa O'Connor approx. 8 hours

**Total Hours 150 hours**

## REFERENCES

### City of Mount Pleasant, Texas

Contact Person: Mike Aherns  
Title: City Manager  
E-mail: [maherns@mpcity.org](mailto:maherns@mpcity.org)  
Phone: 903.575-4000  
Contract period: September 2003 – September 2013  
Scope of work: financial audit services

### City of Kaufman, Texas

Contact Person: Chris Snow  
Title: City Manager  
E-mail: [citymanager@kaufmantx.org](mailto:citymanager@kaufmantx.org)  
Phone: 940.686.2165  
Contract period: September 2011 – September 2013  
Scope of work: financial audit services

### Franklin County, Texas

Contact Person: Tina Phillips  
Title: County Auditor  
E-mail: [tphillips@co.franklin.tx.us](mailto:tphillips@co.franklin.tx.us)  
Phone: 972.932-2216  
Contract period: December 2011 – December 2013  
Scope of work: financial audit services

### East Cedar Creek Fresh Water Supply District

Contact Person: Bill Goheen  
Title: Executive Director  
E-mail: [bgoheen@eastcedarcreek.net](mailto:bgoheen@eastcedarcreek.net)  
Phone: 903.887-7103  
Contract period: March 2006 – March 2014  
Scope of work: financial audit services

**BID PROPOSAL AFFIDAVIT**

The undersigned certifies that the bid prices in this proposal have been carefully reviewed and are submitted as correct and final. He further certifies that the offeror agrees to furnish any and/or all items upon which prices are extended at the price(s) offered, and upon the conditions contained in the specifications of the Invitation to Bid. The period of acceptance of this bid proposal will be forty-five (45) calendar days from the date of the bid opening.

**STATE OF TEXAS           §**  
**COUNTY OF TITUS       §**

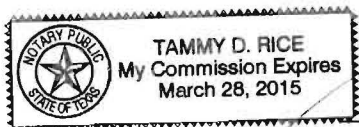
**BEFORE ME**, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Michael Conway, who, after being duly sworn, did depose and say: "I, Michael Conway, am a duly authorized officer or agent for Conway Company CPAs, P.C., and have been authorized to execute the foregoing bid proposal on their behalf. I hereby certify that the foregoing proposal has not been prepared in collusion with any other bidder or other person or persons engaged in the same line of business prior to the official opening of this bid. Further, I certify that the bidder is not now, nor has he been for the past six (6) months, directly or indirectly concerned in any pool or agreement or combination, to control the price of the services or materials bid on, or to influence any person or persons to bid or not to bid thereon.

Name and Address of Offeror:       Michael Conway, Conway Company CPAs, P.C.  
8910 Wesley Street  
Greenville, Texas 75404  
Telephone:                           903.450.1200

By: Michael Conway, CPA           Title: Partner

Signature: Michael Conway CPA

SUBSCRIBED AND SWORN to before me by the above named on this the 9th day of July, 2014.



Tammy D. Rice  
Notary Public in and for the State of Texas

## CONCLUSION

This proposal provides an example of our approach with clients in that we did not send a generic proposal package with a few minor adjustments. Instead, we read, examined and applied the precise information requested by the RFP of the County. We have learned over our many years of government auditing that each County is unique and requires a careful approach to the audit.

Our firm has 15 years in depth experience with fund accounting as it relates to municipalities and other governments. We have assisted our clients in the extensive changes necessary to adopt GASB 34 and helped them meet the reporting requirements under "yellow book" rules for A-133 and Single Audit requirements when there is more than \$500,000 in disbursement of federal funds. We are also prepared to provide information resources under the newer Uniform Grant Guidance for grants issued after December 26, 2014.

Given our audit approach, our low turnover of personnel and specialization in government accounting, we bring a depth of experience not available in other auditing firms. We believe our knowledge and experience makes us the best fit for Titus County.

**Conway Company CPAs, P.C.**  
**Audit Approach for Titus County, Texas**

<u>Description</u>	<u>Hours</u>
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Client Documents and Initial Client Contact

*Client Documents includes gathering trial balance, bank reconciliations, and anything on the initial client request list. Confirmations are done at this stage as well.*

<i>Manager</i>	Susie Erickson	4
<i>Staff</i>	Carron Prigmore	8
<i>Staff</i>	Carmen Smith	8

RollForward

*Rollforward equity comparing our prior year adjusted column with their current year beginning column.*

<i>Manager</i>	Susie Erickson	2
<i>Staff</i>	Carron Prigmore	4

Control Testing

*This includes the test of controls and preliminary analytical procedures. For a test of controls we typically use 25 to 60 transactions, but it depends on our analysis. We refer to the minutes and the budget to focus our test of controls. In order to discover the exact number of transactions needed, we use the AICPA template for determining sample size. We use (as allowed by AICPA) this same sample for our substantive testing. Our results are evaluated using the AICPA guide for determining projected errors on the financial statements taken as a whole. We use this information to plan and allocate our time.*

*As an example of a control to test, a county might require all checks over \$3,000 to have double signatures. We would test to see if this procedure was being followed at this stage. We would evaluate this sample using dollar thresholds using the AICPA template to evaluate the nature and extent of further testing needed.*

*Source Documents from Client:*

- Budget*
- Bank Statements*
- Invoices*
- Minutes*

<i>Manager</i>	Susie Erickson	25
<i>Staff</i>	Carron Prigmore	20
<i>Staff</i>	Carmen Smith	30

**Conway Company CPAs, P.C.**  
**Audit Approach for Titus County, Texas**

Description Hours

Acct Balance Documentation & set Budget

*This is performed by the manager in charge. She will set the time budget allocation and determine which areas require testing. This will set the budget and all future work is guided by this budget. At this stage, we also determine which laws and regulations apply to this client. We use the state of Texas website (local government code) and documentation from PPC Thomson.*

Manager	Susie Erickson	1
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Cash & Investments

*Cash confirmations along with testing bank reconciliations occurs at this stage.*

Manager	Susie Erickson	2
Staff	Carron Prigmore	8

*Source Documents from Client:*

*Bank Statements*

*Bank Reconciliations*

Accounts Receivable

*Test system accounts receivables to determine level of accuracy*

Manager	Susie Erickson	2
Staff	Carron Prigmore	10
Staff	Carmen Smith	16

*Source Documents from Client:*

*Receivable register*

Other Assets

*Items identified by control testing as "higher risk" are tested at this stage.*

Manager	Susie Erickson	1
Staff	Carron Prigmore	6

*Source Documents from Client:*

*Typically invoices and contracts*

Fixed Assets

*Most growing counties have a higher risk of misreporting fixed assets. Therefore, this area receives more testing than most.*

Manager	Susie Erickson	4
Staff	Carron Prigmore	20

*Source Documents from Client:*

*Invoices*

*Any lists currently available at the client*



**Conway Company CPAs, P.C.**  
**Audit Approach for Titus County, Texas**

<u>Description</u>		<u>Hours</u>
<u>Accounts Payable &amp; Current Liabilities</u>		
<i>Test system accounts payables to determine level of accuracy</i>		
<i>Manager</i>	<i>Susie Erickson</i>	<i>2</i>
<i>Staff</i>	<i>Carron Prigmore</i>	<i>10</i>

*Source Documents from Client:*  
*bank statements*  
*general ledger for cash*

<u>Long Term Debt</u>		
<i>Test long term debt against agreements and confirmations or amortization schedules</i>		
<i>Manager</i>	<i>Susie Erickson</i>	<i>2</i>
<i>Staff</i>	<i>Carron Prigmore</i>	<i>6</i>

*Source Documents from Client:*  
*Debt/Bond Contracts*  
*Signed Confirmations, if necessary*

Revenues  
*Deposit Testing and verification of County's revenues*  
*We use the 25 to 60 transactions taken from the control testing and test revenues and AR.*  
*At times, we add transactions to test at this stage depending on which areas we assess are in need of further discovery and problem solving.*

<i>Manager</i>	<i>Susie Erickson</i>	<i>2</i>
<i>Staff</i>	<i>Carron Prigmore</i>	<i>10</i>

*Source Documents from Client:*  
*Property Tax Information*  
*Bank Statements*  
*other source documents (not listed due to space limitations)*

**Conway Company CPAs, P.C.**  
**Audit Approach for Titus County, Texas**

Description Hours

Expenditures

*Test of Transactions and verification of County's expenditures*

*We use the 25 to 60 transactions taken from the control testing and test expenditures and AP.*

*At times, we add transactions to test at this stage depending on which areas we assess are in need of further discovery and problem solving.*

*We also extensively test expenditures using other methods such as comparison to 941 reports, contracts, etc.*

<i>Manager</i>	<i>Susie Erickson</i>	<i>2</i>
<i>Staff</i>	<i>Carron Prigmore</i>	<i>9</i>

*Source Documents from Client:*

*941's*

*Employee time cards*

*Invoices*

*other source documents (not listed due to space limitations)*

Grants

*When there are grants discovered in the audit process, but those grants do not exceed \$500,000 (or threshold for single audits), then we spend time studying and testing those grants.*

*(This estimate in hours does not contemplate a single audit.)*

<i>Manager</i>	<i>Susie Erickson</i>	<i>4</i>
<i>Staff</i>	<i>Carron Prigmore</i>	<i>10</i>

*Source Documents from Client:*

*Grant contracts*

*Reports correspondence with Grantor Agencies*

*Name/Address of Grant Administrator*

Final Analytical Procedures

*We run our trial balance through a final procedure of analytical procedures which compare it to prior periods and other counties.*

<i>Manager</i>	<i>Susie Erickson</i>	<i>2</i>
<i>Manager</i>	<i>Lisa O'Connor</i>	<i>8</i>

Report

*This section concentrates on just the required schedules of a set of financial statements.*

<i>Manager</i>	<i>Susie Erickson</i>	<i>50</i>
<i>Staff</i>	<i>Carron Prigmore</i>	<i>35</i>

**Conway Company CPAs, P.C.**  
**Audit Approach for Titus County, Texas**

Description

Hours

Audit Presentation, Management Letter, Partner Documentation review, Partner Report Compliance review  
*This section contemplates wrap up procedures by the partners in terms of clearing up any known issues with documentation, preparing the audit presentation, and presenting the audit.*

<i>Partner</i>	Mike Conway	0
<i>Partner</i>	Neil Conway	2
<i>Manager</i>	Susie Erickson	8
<i>Staff</i>	Carron Prigmore	10
<i>Staff</i>	Carmen Smith	10

**Total Hours** **353**

**DOLLAR COST BID PROPOSAL  
FOR  
TITUS COUNTY, TEXAS  
PROFESSIONAL AUDITING SERVICES**

Firm: **CONWAY COMPANY CPAs, P.C.**  
A professional corporation organized and existing  
under the laws of the State of Texas  
Certified Public Accountants

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**

**FOR THE AUDIT OF THE 2014 FINANCIAL STATEMENTS**

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners	5	\$ 135	\$ 135	\$ 675
Managers	120	90	90	10,785
Staff	222	70	70	15,540
				<u>\$ 27,000</u>
<b>*Contingencies:</b>				
Other - Single Audit				<u>2,500</u>
<b>Total</b>				<u><u>\$ 29,500</u></u> *

\*Contingencies:

(1) If the County were to spend more than \$500,000 in federal grant money thus triggering a "Single Audit", we would add \$2,500 to any given year with this special type of audit added.

Conway Company CPAs, P.C.  
 Cost Proposal for Titus County, Texas

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE 2014 - 2018 FINANCIAL STATEMENTS

	2014	2014	2015	2015	2016	2016	2017	2017	2018	2018
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
Partners		\$ 945		\$ 973		\$ 1,002		\$ 1,032		\$ 1,063
Managers		10,170		10,475		10,789		11,113		11,446
Staff		15,885		16,362		16,854		17,361		17,881
<b>Total</b>	\$95	<u><b>\$ 27,000</b></u>	\$98	<u><b>\$ 27,810</b></u>	\$101	<u><b>\$ 28,645</b></u>	\$104	<u><b>\$ 29,505</b></u>	\$107	<u><b>\$ 30,390</b></u>

Breakdown by Entity

County Audit	\$	27,000	\$	27,810	\$	28,645	\$	29,505	\$	30,390
--------------	----	--------	----	--------	----	--------	----	--------	----	--------

We are projecting a minimum of 3% inflation rate over the next five years.  
 Our price increases in this proposal reflect a 3% inflation rate.

\*Contingencies:  
 (1) If the County were to spend more than \$500,000 in federal grant money thus triggering a "Single Audit", we would add \$2,500 to any given year with this special type of audit added.



# BIDDER'S PROPOSAL

## Financial Audit of Financial Statements For Fiscal Year Ended September 30, 2014 - September 30, 2018

State below the estimated fees for the annual audit for the fiscal years ending:

---

<u>SEPT 30th</u>	<u>County</u>
2014	\$ 27,000
2015	27,810
2016	28,645
2017	29,505
2018	30,390

**No. 1 - Year 2014**

County, estimated fee of sum of twenty-seven thousand dollars

**No. 2 - Year 2015**

County, estimated fee of sum of twenty-seven thousand, eight hundred and ten dollars

**No. 3 - Year 2016**

County, estimated fee of sum of twenty-eight thousand, six hundred and forty-five dollars

**No. 4 - Year 2017**

County, estimated fee of sum of twenty-nine thousand, five hundred and five dollars

**No. 5- Year 2018**

County, estimated fee of sum of thirty thousand, three hundred and ninety dollars

Probation departments estimated fee the sum of eight thousand, four hundred and forty-five dollars

\$ 95.00

Hourly rate in the sum of ninety-five dollars

This is to certify that the above prices for all items meet or exceed the minimum specifications.  
This document will be incorporated into a formal agreement between Titus County and  
Conway Company CPAs, P.C.

The Undersigned agrees, if this RFP is accepted, to furnish any and all items upon which prices are offered, at the prices and upon the terms and conditions contained in the specifications. The County reserves the right to accept or reject, in part or in whole, any bids submitted and to waive any technicalities for the best interest of the County.

**Firm name/address and phone number**

Conway Company CPAs, P.C.  
8910 Wesley Street  
Greenville, Texas 75404  
903.450.1200

**Conway Company CPAs, P.C.**  
**For Titus County, Texas**  
**Rates For Additional Work & Manner of Payment**

	2014
	<u>Rate</u>
Partners	\$ 135
Managers	90
Staff	70

**Manner of Payment**

The firm bills 33% as interim work commences after execution of the engagement letter.

33% is billed during the course of the audit in two to three separate monthly billings roughly in accordance with staff time incurred on the audit.

The final 33% is billed on delivery and presentation of the audit to the County Commissioners.

Received  
7/18/2014  
CD



CONWAY COMPANY CPAs, PC  
P.O. Box 8234  
8910 Wesley Street, Suite D  
Greenville, Texas 75404-8234

RFP FINANCIAL Audit Services

Titus County Juvenile Probation  
100 West First ST Suite 202  
Mt. Pleasant, TX 75455



Michael Conway, CPA  
Neil Conway, CPA

Toll Free (800) 594-7951  
Metro (903) 450-1200

**CONWAY COMPANY CPAs PC**  
**ACCOUNTANTS & ADVISORS**

[www.conwaycpas.com](http://www.conwaycpas.com)

PO Box 8234  
Greenville, Texas 75404-8234

**Member**  
American Institute of CPAs  
Texas Society of CPAs

July 9, 2014

**Titus County**

The Honorable Judge and Commissioners' Court  
Mount Pleasant, Texas

We are pleased to confirm our understanding of the services we are to provide for the Titus County Juvenile Probation for the year ended August 31, 2014. We will audit the financial statements of the governmental activities, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Titus County Juvenile Probation as of and for the fiscal year ended August 31, 2014.

**Audit Objective**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Titus County Juvenile Probation's financial statements. Our report will be addressed to the Commissioners' Court of the Titus County Juvenile Probation. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary to us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

**Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any nonattest services we provide, oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

1021 Park Street  
Commerce, Texas 75428  
Office (903) 886-2123  
Fax (903) 886-6580

8910 Wesley Street  
Greenville, Texas 75402  
Office (903) 455-9898  
Fax (903) 454-3181

603 South Goliad Street  
Rockwall, Texas 75087  
Office (972) 771-1065  
Fax (972) 771-1022

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us for the accuracy and completeness of that information. You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal controls, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In additions, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic sit with the original document.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the government.



Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of the audit, we will require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures – Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control sufficient to assess the risks of material misstatements of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

#### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Titus County Juvenile Probation's compliance with applicable laws and regulations and the provisions of contract and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

#### **Audit Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by our firm for testing.

The audit documentation for this engagement is the property of Conway Company CPAs, P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner. We will notify you of any such requests. If requested, access to such audit documentation will be provided under the supervision of Conway Company CPAs, P.C. personnel.

We expect to begin preliminary procedures in August, 2014, audit fieldwork in December, 2014 and issue our report in January, 2015. Our fees for these services will be at the price listed below. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and may not be resumed until your account is paid in full. Should the organization expend \$500,000 or more in federal awards or state funds, the fee for a Single Audit should be approximately \$2,500. The fee for the regular audit without the addition of the single audit requirement will be \$2,500.

The estimated fees discussed in this engagement letter are for the audit and the basic reports only. The fees presented include an appropriate time allowance for certain reclassification adjustment, debt reclassifications, depreciation entries plus certain summary adjustments required under GASB or FASB pronouncements.

The contemplated fees do not include the time and costs of curing deficiencies in the accounting records or for bringing incomplete accounting records up-to-date. Management is responsible for the accounting records being reasonably complete and accurate and auditable without major deficiencies. Examples of such deficiencies include unreconciled bank accounts, unrecorded transactions, undocumented or inadequately identified transactions, out of balance funds or intercompany transactions, erroneous entries and entries recorded in a prior year after audit date.

Management will be advised of any significant deficiencies encountered. Such deficiencies that cannot be addressed by client staff may be resolved by Conway CPAs at our regular rates. If the deficiencies are major (requiring over 40 staff hours), and we are concerned that our independence may be compromised due to the excessive time required, then management will be asked to engage independent third parties to perform the work so that the audit can proceed.

Significant assistance from client staff is an absolute requirement in locating documents, securing copies, finding files, and in general, providing information. Time required by the audit staff to find documents or to pull files without assistance will be billed to the client as an additional cost to the audit. A spirit of cooperation and assistance by client staff is essential. Client personnel are instrumental in conducting an efficient and economical audit.

We request we be allowed to read all printed materials given to outside parties which also include our report.

We appreciate the opportunity to be of service to the Titus County Juvenile Probation and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and return it to us.

Respectfully Submitted,  
CONWAY COMPANY CPAs PC

*Conway Company CPAs, P.C.*

RESPONSE:

This letter correctly sets forth the understanding of **Titus County Juvenile Probation**

Officer signature: \_\_\_\_\_

Print Name & Title: \_\_\_\_\_

Date: \_\_\_\_\_