



Proposal for Auditing Services

Kennett Township

November 20, 2019

Prepared by:

Christopher N. Herr, CPA, Partner
Maillie LLP
140 Whitaker Avenue, Mont Clare, PA 19453
610-935-1420 x235
cherr@maillie.com





November 20, 2019

Ms. Amy Heinrich
Finance Director
Kennett Township
801 Burrows Run Road
Chadds Ford, PA 19317

Dear Ms. Heinrich,

I am pleased to present Kennett Township with the attached proposal to perform auditing services for the fiscal years ending December 31, 2019; December 31, 2020; and December 31, 2021.

Our proposed team members are extremely interested in serving Kennett Township. Our team's deep government auditing experience and expertise—including a thorough understanding of the pronouncements and reporting requirements that affect Kennett Township—will allow us to deliver efficient audit services that add real value to your organization.

Thank you for your time and consideration of our firm. If you have any questions regarding our submission, please contact me at cherr@maillie.com.

Sincerely,

A handwritten signature in black ink that reads "Chris Herr". The signature is fluid and cursive.

Christopher N. Herr, CPA
Partner
140 Whitaker Avenue, Mont Clare, PA 19453
610-935-1420 x.235
cherr@maillie.com

Table of Contents

1. Firm Qualifications and Experience	1
2. Specific Audit Approach	1
2.1. Features of Our Approach to the Township’s Audit.....	2
2.2. Proposed Segmentation of the Engagement.....	4
2.3. Sample Sizes and the Use of Statistical Sampling.....	5
2.4. Use of EDP Software	5
2.5. Use of Analytical Procedures	6
2.6. Understanding the Township’s Internal Control Structure.....	7
3. Staffing.....	8
4. Audit Team Qualifications and Experience	9
4.1 Commitment to Staff Quality and Continuity	13
5. Implementation of New Accounting Standards.....	13
5.1. Service from Dedicated Governmental Audit Specialists	15
5.2. Access to the Latest Guidance, Insight, and Best Practices.....	15
6. Similar Engagements with Other Government Entities	17
7. Peer Review Report	18
8. Work Plan	19
8.1. Features of Our Approach to the Township’s Audit	19
8.2. Proposed Segmentation of the Engagement.....	20
8.3. Audit Schedule and Timing.....	21
9. Price Quote.....	22
References.....	24

1. Firm Qualifications and Experience

With day-to-day service from professionals dedicated to auditing and strengthening government entities, Kennett Township will receive the detailed, dependable insight needed to meet your objectives.

At Maillie LLP, quality, independent service is paramount and is the key to our success in building strong, long-term client relationships. We embrace a hands-on, flexible service philosophy based on the attention of experienced professionals and a culture of openness, candor and trust. Combined with the advantages of a streamlined, accessible organizational structure, our approach translates to timely responses and swift resolutions of technical issues or questions for our clients.

With more than 150 government clients, we understand the regulations and issues affecting the Township, as well as the best practices of your peer institutions.

We are an AICPA Governmental Audit Quality Center Member and our in-house continuing professional education program exceeds the training requirements established by the U.S. General Accounting Office.

The Philadelphia Business Journal ranks Maillie LLP as a "Top 25 Accounting Firm." Inside Public Accounting named Maillie one of the "Top 300" firms in America. Today, we continue to grow, leveraging our seven decades of experience to help our clients achieve success.

Our proposed team will be based out of our headquarters in Oaks, Pennsylvania. The Township will be served by members of Maillie's government practice, which comprises nearly 50 professionals, including 8 partners and 5 principals. Our government practice is the firm's largest industry team, consisting of:

- Audit, accounting, and technical specialists
- Tax and deferred compensation professionals
- Management information systems specialists

2. Specific Audit Approach

In addition to tailoring our approach to the Township's unique environment, we will apply the latest technology throughout the engagement—maximizing audit efficiency and quality.

2.1. Features of Our Approach to the Township's Audit

Our audit approach will go well beyond just meeting necessary requirements and standards. By ensuring specialized insight, time-saving use of technology, and continual involvement of senior team members, we will minimize disruptions while exceeding the Township's service expectations.

Key features of our approach to the financial audit are highlighted in *Figure 1*, then described in detail below.

Our established, direct line of communication is important so we can identify ways to help your municipality run more efficiently.

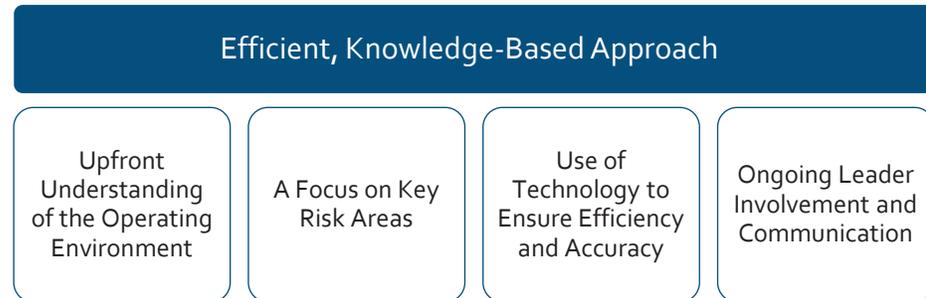


Figure 1. Key Qualities of Maillie's Approach to Serving Kennett Township

2.1.1. Upfront Understanding of the Township's Unique Operating Environment

To deliver effective, meaningful reporting on financial statements and compliance matters, auditors must thoroughly understand the entity behind those financial statements. So, our team will take the time up front to learn about the Township's unique business and operating environment.

This insight will allow for realistic advice and constructive recommendations for reducing costs and improving the Township's controls. It will inform our determination of audit emphasis, selection and timing of audit procedures, and plan logistics. And, by developing an in-depth understanding of the Township's control environment, our team will be able to audit through controls—not around them.

Ultimately, our fundamental approach will not depend upon the type of accounting records, whether produced by electronic data processing equipment or completely manual methods. Instead, the concepts underlying our approach will be adapted to the Township's environment and circumstances, allowing for effective presentation and interpretation of your financial statements.

2.1.2. A Focus on the Township's Key Risk Areas

Developing a detailed, upfront understanding of the Township's environment will also allow us to tailor our audit approach to your key risk areas, resulting in a more efficient, focused audit that reduces staff disruption. For instance, based on our current understanding of your operations, we anticipate that the Township's key audit areas will include:

- Cash and investments
- Revenue and receivables
- Accounts payable and accrued expenses
- Capital assets
- Debt Obligations
- Payroll and benefits
- Other expenses

Throughout the audit, we will continue to assess and update fraud risk, audit risk, independence, and materiality, ensuring that our audit procedures provide enough relevant evidence to support our opinion.

2.1.3. Use of Technology to Ensure Efficiency and Accuracy

Throughout the audit, we will ensure timeliness and quality by using the latest technology to extract and analyze client data, propose audit adjustments, and prepare reports. A sampling of the tools we will employ includes:

- [CaseWare IDEA®](#), a powerful data analysis tool that allows us to quickly import, analyze, sample, and extract data from almost any source. For example, we often use IDEA to extract, sort, and analyze journal entries, account entries, billings, and payroll. IDEA will protect the integrity of the Township's data through read-only access, as well as increase efficiency and reduce the time required of your staff.
- [Accounting Research Manager®](#), an integrated tool that provides instant access to governmental auditing and accounting standards, interpretations, and examples. Accessible directly from our electronic workpapers, ARM will reduce research time and ensure that our team is up-to-date on any emerging changes.
- [ProfitCents](#), a ratio analysis tool that calculates client ratios and compares them to industry data. Our team will use ProfitCents during preliminary and final analytical audit procedures, allowing us to streamline processes and provide the Township management with valuable information and benchmarks for decision making.

Our use of IDEA and other key software tools will allow for timely, accurate audit procedures that require minimal assistance from the Township personnel.

In addition, please note that we operate in a paperless audit environment. As a result, our team will have easy access to research, audit procedures, and similar situations across our governmental audit client base.

Our senior team members will bring their expertise to the field—not just the front- and back-end of the Township’s audit.

2.1.4. Ongoing Leader Involvement and Communication

Our principal supervisory and management staff will be involved in every audit phase—including planning—to ensure continued efficiency, quality, and communication throughout the engagement.

Our senior team members will travel onsite during fieldwork to work with our staff, review workpapers, answer technical questions, and monitor progress. They will also regularly interact with the Township management to provide updates, relay upcoming industry issues that may affect the Township, and communicate any internal control findings.

2.2. Proposed Segmentation of the Engagement

Figure 2 highlights the proposed segments of the Township’s audit engagement.

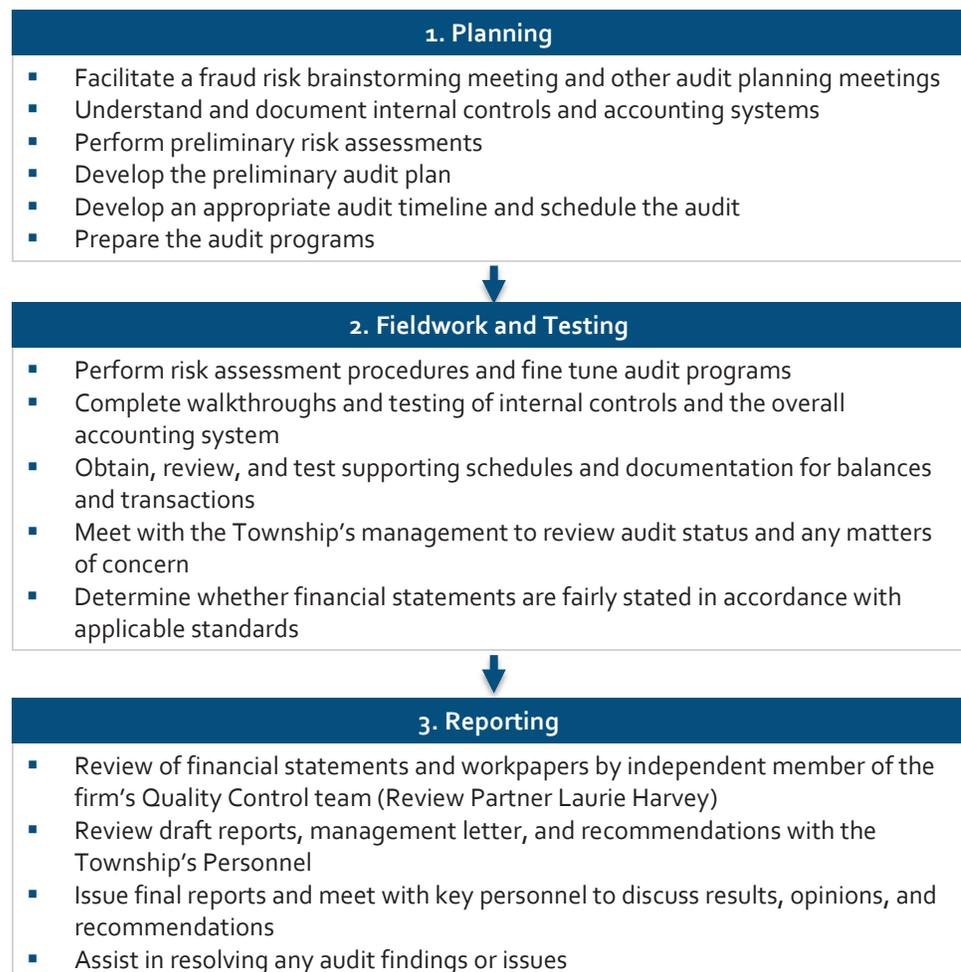


Figure 2. Proposed Segments of the Township’s Audit Engagement

2.3. Sample Sizes and the Use of Statistical Sampling

As part of our normal governmental audit process, we employ various sampling techniques to achieve audit objectives in a more efficient manner. To ensure compliance with all applicable standards, our team will use audit sampling guidance outlined in the *AICPA Government Auditing Standards and Single Audit—Audit Guide*.

Our team is well versed in using IDEA data extraction software to quickly and securely import and analyze client data. We will do the same for the Township.

Sample sizes will be dependent on the risks associated with the items being tested, confidence level to be obtained, and overall materiality. Sizes will be determined once our team has evaluated the population being sampled, and we will employ IDEA data extraction software to ensure random sample selection.

2.4. Use of EDP Software

Since the Township has sophisticated, computerized accounting systems, we will employ EDP software throughout the audit to increase efficiency and accuracy.

For instance, our team will utilize IDEA to import and extract the Township's data whenever possible. IDEA can import nearly any record type, including spreadsheets, as well as data exported from databases, accounting programs, ERP systems, and T&E applications.

In addition, our team will use our paperless audit workpaper software, which has a built-in Excel-based trial balance database, to store all audit workpapers. We will also employ basic spreadsheets and word processing programs.

2.5. Use of Analytical Procedures

Our team will use analytical procedures to assist in planning the extent and timing of auditing procedures, as well as to identify areas that may represent relevant risks. For example, we will perform analytic tests during the planning phase to better understand the scope, areas of greatest risk, and state of risk management. Using this insight, we will refine the audit focus if needed.

Our team will test four key areas to reveal potential risks: general ledger, payroll, accounts payable, and accounts receivable. Potential data analytic tests are outlined in *Figure 3*

Key Testing Areas	Potential Data Analytic Tests
General Ledger	<ul style="list-style-type: none"> ▪ Total journal entries by source ▪ Foot balances to ensure they balance to zero ▪ Analyze year-to-date activity for large operating accounts ▪ Calculate and sort percentage variances in accounts between periods ▪ Test for transactions with dates outside the posting month or year and duplicate postings ▪ Test for unusual posting days or times
Payroll	<ul style="list-style-type: none"> ▪ Stratify salaries by department ▪ Analyze overtime pay, sick, and vacation ▪ Sort names and addresses for duplicates ▪ Review direct deposit accounts ▪ Merge payroll and vendor files to search for common addresses ▪ Summarize payroll data to review highest paid employees
Accounts Payable	<ul style="list-style-type: none"> ▪ Summarize disbursements by vendor ▪ Isolate vendor unit prices by product ▪ Evaluate purchasing contract compliance ▪ Calculate days in accounts payable and average days for invoices to be paid ▪ Test for items with dates or references out of range ▪ Find invoices without a P.O. number ▪ Review for duplicate payments and/or P.O. numbers ▪ Review gap in check numbers ▪ Compare master file at two dates to identify new suppliers
Accounts Receivable	<ul style="list-style-type: none"> ▪ Generate summaries by payor ▪ Identify old items ▪ Select accounts with no recorded movements in a set time ▪ Identify duplicate invoices ▪ Report gap in sequences of invoices ▪ Summarize unit billing rates ▪ Review frequency of billings

Figure 3. Potential Data Analytic Tests to Be Performed

2.6. Understanding the Township's Internal Control Structure

During the planning and fieldwork and testing segments, we will develop a thorough understanding of the Township's internal control structure, specifically the five COSO-identified components of internal control:

- The control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Our team will interview appropriate personnel, as well as read any available documentation. We will then develop walkthrough procedures for each relevant cycle, test controls in each key area, and document findings.

As highlighted in [Section 3. Staffing](#), your team will include an audit partner, review partner, data analytics specialist, an audit manager, and staff auditors, all of whom are employed on a full-time basis.

In addition, you will have immediate access to the knowledge and capabilities of our firm's nearly 120 professionals. These resources, combined with our over seven decades of firm experience, will allow us to meet the Township's full scope of short- and long-term service needs.

With a thorough, timely approach and team of dedicated governmental audit experts, Maillie will provide Kennett Township with the service, understanding, and insight needed to achieve your strategic goals.

A Thorough, Efficient Approach to Achieving the Township's Objectives

Our approach will be rooted in regulatory insight, continual communication, and the use of key technology solutions to build on our deep understanding of the Township's business and operating environment.

This knowledge-based audit approach will maximize efficiency and yield realistic, constructive suggestions for improving your operations and control system. With the leadership of Partner Christopher N. Herr, our team will provide the Township with dependable guidance and insight throughout the year.

External Quality Control Review - Peer Review

Maillie has participated in the AICPA's Peer Review Program since 1983, helping to ensure high practice standards and continued compliance with the profession's ethics and independence standards.

As a member of the AICPA's Governmental Audit Quality Center, Maillie will provide your team with efficiency, minimal disruptions, and substantial insight.

A copy of our most recent peer review report, for the year ended March 31, 2016, has been included in [Section 7: Peer Review Report](#). This review included specific government engagements, and no letter of comment was received regarding deficiencies in internal controls.

In addition, please note that as a member of the GAQC, we have:

- A partner responsible solely for the quality of our governmental audits
- Performed annual internal inspection procedures
- Established documented quality control programs

3. Staffing

Our proposed principal supervisory and management staff include leaders in governmental audit services, each with the experience to deliver exceptional insight and client service.

Each of our proposed team members specializes in serving government entities, allowing them to provide the information and proactive service to meet the Township’s objectives.

Our engagement team will be led by some of our government practice’s most tenured industry experts:

- Audit Partner Christopher N. Herr, CPA
- Independent Review Partner Laurie Harvey, CPA
- Data Analytics Specialist Amanda Bernard, CPA, CFE, CMA
- Audit Manager Dale Umbenhauer, CPA

Chris and Dale will be involved in all stages of the engagement, working closely with our team to ensure that the Township receives reliable, responsive service. Each team member will take the time to understand your needs and objectives, communicate updates, and provide guidance on the issues affecting the Township. Each team member is licensed to practice as a certified public accountant in the Commonwealth of Pennsylvania.

Figure 4 highlights our team members’ key areas of expertise, followed by bios that outline relevant qualifications, including governmental auditing experience, memberships, and training. All team members meet the continuing professional education standards of the *Government Auditing Standards*.

Team Members	Role	Relevant Experience (Years)	Areas of Expertise			Certifications
			Government Entities	GASB Updates & Guidance	Grant-Funded Entities	
Christopher N. Herr	Audit Partner	17	■	■	■	CPA
Laurie Harvey	Independent Review Partner	31	■	■	■	CPA
Amanda Bernard	Data Analytics Specialist	14	■	■	■	CPA, CFE, CMA
Dale Umbenhauer	Audit Manager	14	■	■	■	CPA

Figure 4. Key Experience of Our Proposed Principal Supervisory and Management Staff

4. Audit Team Qualifications and Experience

Following are highlights of each key team member's qualifications.

Chris's leadership of the Government practice and many of the firm's most prominent governmental audits gives him a well-rounded understanding of the Township's key issues.

Christopher N. Herr, CPA, Audit Partner

610.935.1420 x235, cherr@maillie.com

Key Qualifications to Serve Kennett Township

- Specializes in providing auditing services to local and state government entities, including school districts, townships, boroughs, counties, and authorities
- Maintains a timely understanding of pending and newly issued GASB pronouncements, governmental audit and accounting issues, and Uniform Grant Guidance
- Regularly presents on governmental audit topics at in-house continuing education sessions and key industry events, such as the PICPA Local Government and School District Conferences, local GFOA conferences, and PAIU and PASBO conferences
- Serves as a member of the firm's Quality Control team, which reviews workpapers and financial statements to ensure compliance with auditing standards

Years of Experience	17
Certifications and Memberships	<ul style="list-style-type: none"> ▪ Certified Public Accountant (Pennsylvania) ▪ Member of the AICPA and PICPA
Education	B.S. in Accounting, West Chester University

Key Continuing Professional Education (2016-2019)

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Single Audit Staff Training (Maillie) ▪ Local Government Conference (PICPA) ▪ School District Conference (PICPA) ▪ Municipal Accounting Issues (Maillie) ▪ Tax Season Update (Maillie) ▪ Accounting and Auditing Update (Maillie) ▪ GFOA Update (GFOA) ▪ GASB 68 Template Training (Maillie) | <ul style="list-style-type: none"> ▪ Single Audit and Financial Statement Prep (Maillie) ▪ PASBO Annual Conference (PASBO) ▪ Governmental GAAP Update (GFOA) ▪ Risk Management Seminar (CNA) ▪ Identifying Fraud in School Purchasing (AICPA) ▪ The GASBs Pension Standards (AICPA) |
|---|---|

Laurie Harvey, CPA, Independent Review Partner610.935.1420 x288, lharvey@maillie.com

As leader of Quality Control at Maillie, Laurie will ensure that all the Township's workpapers and financial statements comply with auditing and accounting standards.

Key Qualifications to Serve Kennett Township

- Leads the firm's audit and accounting Quality Control team, which provides guidance to audit teams and ensures that all workpapers and financial statements comply with auditing and accounting standards
- Performs AICPA program peer reviews and coordinates the firm's continuing professional education program, ensuring far-reaching knowledge of current and pending governmental auditing pronouncements and standards
- Previously served as the Director of Professional and Technical Services for the PICPA, where she administered the state peer review program and served as a liaison to the state peer review, ethics, and accounting and audit committees

Years of Experience	31
Certifications and Memberships	<ul style="list-style-type: none"> ▪ Certified Public Accountant (Pennsylvania) ▪ Member of the AICPA and PICPA
Education	B.S. in Accounting, Villanova University

Key Continuing Professional Education (2016-2019)

<ul style="list-style-type: none"> ▪ Governmental GAAP Update (GFOA-PA) ▪ Tax Seminar (Maillie) ▪ Government Auditing Standards (AICPA) ▪ GAQC Annual Update (AICPA) ▪ PCAOB Audit Standards (Becker) ▪ Peer Review Update (AICPA) ▪ Single Audit Best Practices (Becker) ▪ Yellow Book Financial Audits (Becker) ▪ Fiduciary Responsibility (LearnLive) ▪ Tax Update (Maillie) ▪ Not-for-Profit Accounting and Reporting (Becker) ▪ Audit Risk Assessment: Do's and Don'ts (Becker) 	<ul style="list-style-type: none"> ▪ Auditing Opinions (Becker) ▪ Employee Benefit Plans (AICPA) ▪ Accounting and Auditing Update (Maillie) ▪ AICPA Peer Review Conference (AICPA) ▪ Cybersecurity Hot Topics (AICPA) ▪ FASB Developments for Business (AICPA) ▪ EBPAQC Designated Partner Audit Planning (AICPA) ▪ Using Benford's Law for Fraud Detection (AuditNet) ▪ Testing and Documenting Internal Control (AICPA) ▪ Understanding the Consolidation of VIE (Becker) ▪ Time and Effort Documentation (Thompson)
--	---

Amanda Bernard, CPA, CFE, CMA, Data Analytics Specialist610.935.1420 x254, abernard@maillie.com

Using her analytical and computer skills, Amanda will ensure effective use of data extraction and analysis software during the Township's audit.

Key Qualifications to Serve Kennett Township

- Specializes in delivering audit and advisory services to government and commercial entities, using her analytical and computer skills to ensure the effective use of data extraction and analysis software during engagements
- Conducts forensic investigations and related services, working with clients to perform fact finding, complete interviews, quantify losses, and document findings
- Regularly produces articles on key governmental audit and fraud-related topics, and presents on similar topics at in-house continuing education sessions
- Serves as a member of the firm's Quality Control team, which reviews workpapers and financial statements to ensure compliance with auditing standards

Years of Experience	14
Certifications and Memberships	<ul style="list-style-type: none"> ▪ Certified Public Accountant (Pennsylvania) ▪ Certified Fraud Examiner ▪ Certified Management Accountant ▪ Member of the AICPA, PICPA, IMA (West Chester Chapter board member), ACFE, and Beta Gamma Sigma Business Honors Society
Education	B.S. in Accounting, minor in Information Systems, Susquehanna University

Key Continuing Professional Education (2016-2019)

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Lehigh Valley Fraud Conference Event (ACFE) ▪ Tax Training (Maillie) ▪ Governmental GAAP Update (GFOA-PA) ▪ Web of Deception (IMA) ▪ Governmental Auditing Standards (AICPA) ▪ Fraud Risk Management (IMA) ▪ Fraud Prevention (PASBO) ▪ Global Fraud Conference (ACFE) ▪ Municipal Accounting Issues (Maillie) | <ul style="list-style-type: none"> ▪ Computer Security (ACFE) ▪ Accounting and Auditing Update (Maillie) ▪ GASB 68 Template Training (Maillie) ▪ Footing/Matching Training (Maillie) ▪ Investment Planning (ACFE) ▪ Hot Buttons in Tax (IMA) ▪ SBA and Other Government Loans (SEEDC) ▪ ShareFile Training (Maillie) ▪ Time and Effort Documentation (Thompson) ▪ Protecting Your Business Assets (Maillie) |
|--|---|

Dale Umbenhauer, CPA, Audit Manager610.935.1420 x273, dumbenhauer@maillie.com

Dale has audited various entities like the Township, giving him the expertise to deliver seamless coordination of engagement resources.

Key Qualifications to Serve Kennett Township

- Specializes in managing financial, compliance, and operational auditing and accounting engagements for grant-funded government, education, and not-for-profit entities
- Maintains expertise in testing internal controls related to cycles within financial and operational areas, as well as supervising staff members and organizing fieldwork to maximize efficiency
- Regularly researches new accounting standards
- Utilizes data extraction software to perform audit testing and analytical

Years of Experience	14
Certifications and Memberships	<ul style="list-style-type: none"> ▪ Certified Public Accountant (Pennsylvania) ▪ Member of the AICPA, PICPA ▪ Member of the PICPA A&A Committee ▪ Member of Sigma Iota Epsilon (National Honorary and Professional Management Fraternity)
Education	B.S. in Professional Accountancy, Pennsylvania State University

Key Continuing Professional Education (2016-2019)

<ul style="list-style-type: none"> ▪ Form 990 Reporting (Becker) ▪ Annual Nonprofit Accounting Update (RSM) ▪ Risk Management in the Public Sector (Becker) ▪ Introduction to Employee Benefits Part 1 (Becker) ▪ Employee Benefits Part 2 – DC Plans (Becker) ▪ Employee Benefits Part 3 – DC Plans (Becker) 	<ul style="list-style-type: none"> ▪ Governmental and Not-for-Profit Training Program (AICPA) ▪ NFP Accounting and Reporting (Becker) ▪ Risk Management Seminar (CAN) ▪ Quickbooks Pro (Springhouse) ▪ Municipal Accounting Issues (Maillie) ▪ Tax Update (Maillie) ▪ GFOA Annual Conference
---	---

4.1 Commitment to Staff Quality and Continuity

We have staffed our team with some of our government practice's most tenured audit specialists, and we are committed to maintaining the continuity of these team members. Doing so will be beneficial to the Township and Maillie, as it will allow our team to increase efficiency and develop a more in-depth understanding of the Township's challenges and operations.

No engagement partners, managers, other supervisory staff, or specialists will be changed unless they leave the firm, are promoted, or are assigned to another office, without the express prior written permission of the Township.

Our ability to ensure this level of staff continuity stems from our commitment to attracting, training, and retaining high-quality professionals. In fact, our annual turnover rate is less than 10 percent—well below the industry average.

Should a need arise to change a team member, we will notify you immediately and ensure there is no effect on the quality or timeliness of our services. With nearly 50 government specialists and nearly 120 total staff members, we have the resources to quickly replace a team member with an equally qualified professional.

Maillie is committed to maintaining the integrity of our proposed team year after year, allowing the Township to enjoy increased efficiency and dependability from professionals who understand your challenges and objectives.

5. Implementation of New Accounting Standards

Our team has developed a deep understanding of the complexities facing local governments, from uncertain budgets to fast-changing accounting requirements.

Our team will share this insight with Kennett Township through ongoing phone, in-person, and email discussions. In the case of an especially significant development, such as a new accounting change that will impact your organization, we may also conduct free seminars.

In addition to regular discussions, Maillie hosts an annual Municipal Issues Seminar during which anything new relating to the accounting standards is presented for discussion. In addition, your engagement team will be available for any implementation questions.

As shown in *Figure 5*, our expertise, resources, and approach are ideally suited to serve the Township.

Our team’s depth of governmental audit experience, training, and industry involvement will yield valuable intelligence, allowing the Township to leverage best practices and advance your operational performance.

Maillie Differentiator	Benefit to Kennett Township
Maximizing Efficiency with Deep Governmental Audit Expertise	
<p>In addition to serving over 150 local government entities, including counties, municipalities, charter schools, and other entities funded via State appropriations and Federal grants, our professionals are active in industry associations and Government Finance Officers Association (GFOA) events.</p>	<p>Our team’s depth of government experience, combined with our industry and professional involvement, gives us up-to-date knowledge of the trends, regulations, and standards affecting the Township —allowing us to quickly address technical and operational issues.</p>
Strengthening Operations with Frequent, Value-Added Communication	
<p>Our proposed team members, who regularly develop seminars and articles for Maillie’s government newsletter, will provide the Township with ongoing updates and guidance regarding regulatory, industry, and accounting developments.</p>	<p>Instead of just resolving your financial statement and tax compliance issues, our government specialists will help prevent them—empowering the Township with the knowledge and best practices to strengthen your operations.</p>
Ensuring Efficiency and Dependability with a Knowledge-Based Audit Approach	
<p>We will tailor our underlying audit approach to the Township’s unique business environment, then apply the latest technology to extract and analyze data, propose audit adjustments, and prepare reports.</p>	<p>With a paperless workpaper system and tools such as IDEA™ data analysis software, Accounting Research Manager (ARM), and ProfitCents, our team will maximize the efficiency and quality of the Township’s audit services.</p>
Fulfilling Long-Term Service Needs with Extensive Government Resources	
<p>In addition to being named one of the “Top 300” accounting firms in America and one of the “Top 25” accounting firms in the Southeast Pennsylvania area, Maillie has a 50-year track record of providing high-quality service to government entities like the Township.</p>	<p>With nearly 50 government specialists and nearly 120 professionals across several specialties, including audit, tax, and information systems, we have the resources and expertise to meet the Township’s service needs as you grow and change.</p>

Figure 5. Maillie Differentiators and Benefits to the Township

5.1. Service from Dedicated Governmental Audit Specialists

Today's government institutions operate in a unique, ever-changing business environment—one that requires a team that can provide specialized advice on the issues facing your industry.

Fortunately, the Township will be served by dedicated governmental audit specialists, each of whom have provided financial statement audit services to similar state and local entities. In fact, we serve more than 150 government entities throughout Southeast Pennsylvania.

Our team's knowledge of key industry issues and GASB updates will allow us to provide the Township with valuable, year-round guidance for improving your controls and operations.

Our team's knowledge includes specialized expertise in:

- Current and pending Governmental Accounting Standards Board (GASB) standards and updates
- Compliance requirements of various federal programs
- Applicable federal, state, and local laws and regulations
- Program audit reporting requirements for various grant programs
- Accounting and reporting disclosures specific to government entities
- Accounting and internal control system designs and implementations

Based on this experience, we will consider several matters during our audit planning phase, including:

- Assessments of the entity, the program, and audit risk
- Applicable state and local compliance requirements and onsite reviews, audit approach and design, and technology environment

A sampling of our team's governmental audit clients, including contact information and a description of services provided, is included in Section [References](#).

5.2. Access to the Latest Guidance, Insight, and Best Practices

In addition to their client experience, our team stays current with the regulatory and legislative changes affecting the Township—ensuring that our audit delivers dependable, objective information.

5.2.1. Membership in the AICPA Government Audit Quality Center

Our team receives up-to-date alerts of audit and regulatory developments from the AICPA's Government Audit Quality Center (GAQC), a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

As GAQC members, our team has access to a wide array of practice tools and publications detailing key technical and regulatory topics—each of which will help to maximize the quality and proficiency of the Township’s audit.

As GAQC members, we have access to a wide array of practice tools, events, and publications detailing technical, legislative, and regulatory topics—each of which will help to maximize the quality and proficiency of the Township’s audit.

5.2.2. Participation in Industry Organizations and Events

Our team also participates in various industry associations, regularly attending and serving as featured speakers at national and regional conferences. For example, recent events at which our proposed team members have served as speakers includes:

- GFOA local chapter events
- Pennsylvania Association of School Business Officials (PASBO) Conference
- Pennsylvania Institute of Certified Public Accountants (PICPA) events
- PICPA State and Local Government Conference
- PICPA School District Conference
- Pennsylvania Association of Intermediate Units (PAIU) Conference

5.2.3. External and In-House Continuing Education

Finally, every governmental audit staff member is required to complete a minimum of 40 hours of continuing education every year, including approximately 16 hours via Maillie’s in-house professional education program.

Our in-house program exceeds U.S. GAO requirements and includes sessions specific to governmental accounting and reporting, single audits, and state and local government accounting issues.

5.2.4. Commitment to Providing Up-to-Date Industry Insight

Through these and other avenues, our team has developed a deep understanding of the complexities Kennett Township faces, from uncertain budgets to fast-changing accounting requirements.

The following is just a small sampling of recent and upcoming governmental accounting changes that may impact the Township, along with actions our team has taken to inform and educate clients.

Our team will ensure that the Township is educated on key accounting and tax changes, both enacted and pending, that may affect your organization.

- **Uniform Grant Guidance.** Many single audit challenges have surfaced due to recent changes in post-award requirements of grantees, audit requirements, and reporting. In response, our team hosted a half-day seminar, during which over 100 clients and non-clients learned about the changes and key considerations for their organization.
- **GASB Nos. 67, 68, 73, and 82 for Pension Plans.** These new standards have impacted the financial statements of many clients. So, well in advance of implementation, our team provided clients with the guidance necessary to ensure a smooth implementation.
- **GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.** Like the Pension Standards, these upcoming standards require advance training and planning. Therefore, in addition to completing extensive external training on these standards, our team members have been meeting with all affected clients to ensure a smooth implementation process.
- **Upcoming GASB Pronouncements.** Our team is current on all upcoming GASB pronouncements, including the recently issued GASB No. 84, Fiduciary Activities. In fact, members of our proposed team recently delivered a 2-hour session to GFOA-PA that covered all upcoming GASB pronouncements. The session also detailed major projects being undertaken by GASB, such as the exposure draft on leases, which will revise the accounting for capital and operating leases, and the project to improve the financial reporting model, which may result in significant revisions to the GASB No. 34 reporting model.

In addition to regular discussions and seminars, the Township will receive timely industry insight via Maillie's government newsletter, which contains valuable updates and guidance on the issues affecting your organization.

6. Similar Engagements with Other Government Entities

Our proposed team members have performed financial statement and single audits for similar government and not-for-profit entities throughout Southeast Pennsylvania and Delaware.

Those engagements have been included in Section [References](#) on page 24.

7. Peer Review Report



System Review Report

June 8, 2016

To the Partners of Maillie, LLP and the AICPA National Peer Review Committee:

We have reviewed the system of quality control for the accounting and auditing practice of Maillie, LLP (the firm) in effect for the year ended March 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Maillie, LLP in effect for the year ended March 31, 2016, 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*. Maillie, LLP. has received a peer review rating of *pass*.

Rea & Associates, Inc.

Rea & Associates, Inc.

CPAs and business consultants
www.reacpa.com

8. Work Plan

In addition to tailoring our approach to your organization’s unique environment, we will apply the latest technology throughout the engagement—maximizing audit efficiency and quality.

Taking the time up front to learn about the Township’s business environment will allow us to provide more constructive suggestions for reducing costs and improving controls.

Independence

Maillie is independent of the Township as defined by auditing standards generally accepted in the United States and the U.S. GAO’s *Government Auditing Standards*.

8.1. Features of Our Approach to the Township’s Audit

Our audit approach will go well beyond just meeting necessary requirements and standards. By ensuring specialized insight, time-saving use of technology, and continual involvement of senior team members, we will minimize disruptions while exceeding Kennett Township’s service expectations.

Key features of our approach to the audit are highlighted in *Figure 6*, then described in detail below.

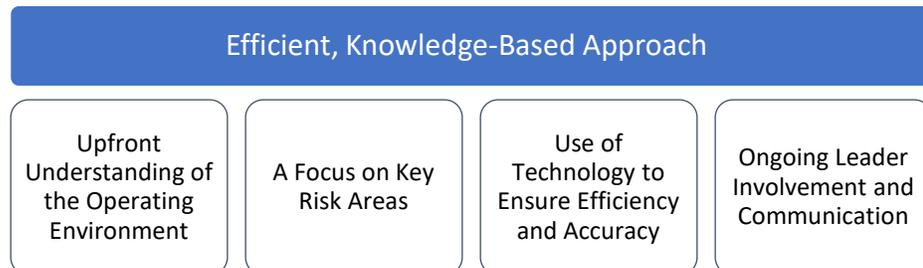


Figure 6: Key Qualities of Maillie’s Approach to the audit

8.1.1. Upfront Understanding of the Township’s Unique Operating Environment

To deliver effective, meaningful reporting on financial statements and compliance matters, auditors must thoroughly understand the entity behind those financial statements. So, our team will take the time up front to learn about the Township’s unique business and operating environment.

8.1.2. A Focus on the Township’s Key Risk Areas

Developing a detailed, upfront understanding of the Township’s environment will also allow us to tailor our audit approach to your key risk areas, resulting in a more efficient, focused audit that reduces staff disruption. Throughout the audit, we will continue to assess and update fraud risk, audit risk, independence, and materiality, ensuring that our audit procedures provide enough relevant evidence to support our opinion.

Our use of IDEA and other key software tools will allow for timely, accurate audit procedures that require minimal assistance from your organization's personnel.

8.1.3. Use of Technology to Ensure Efficiency and Accuracy

Throughout the audit, we will ensure timeliness and quality by using the latest technology to extract and analyze client data, propose audit adjustments, and prepare reports. A sampling of the tools we will employ includes: CaseWare IDEA, Accounting Research Manager, and ProfitCents.

8.2. Proposed Segmentation of the Engagement

Figure 7 highlights the proposed segments of the Township's audit engagement.

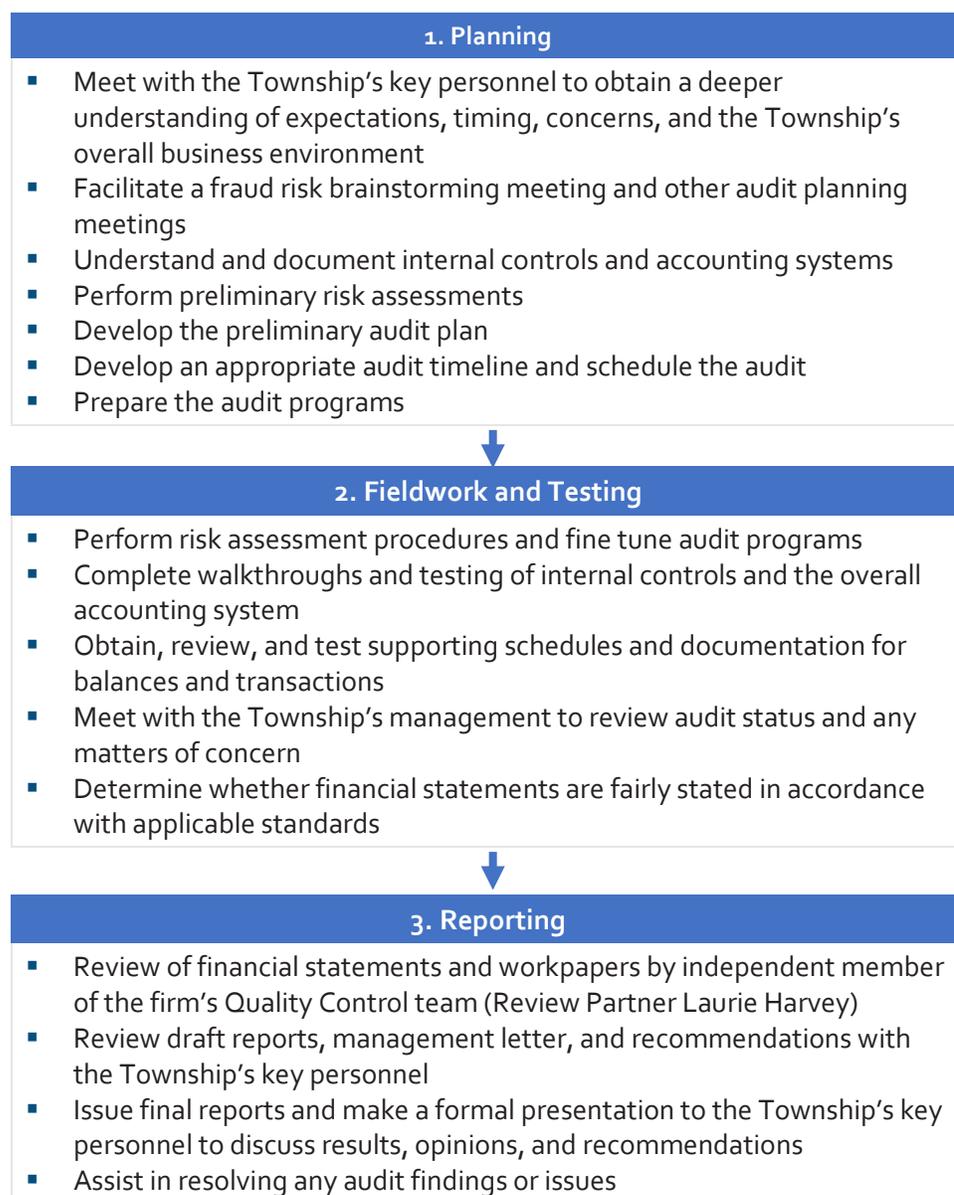


Figure 7: Proposed Segments of the Township's Audit Engagement

8.3. Audit Schedule and Timing

The timeline shown in *Figure 8* has been developed based on our understanding of your organization's needs. Exact deadlines for certain tasks will be established with your management upon engagement.

Engagement Task	Timeframe
Planning and Preliminary Fieldwork	
Meet with the Township's management to discuss the annual audit	Late November/Early December
Perform client acceptance procedures and planning tasks	December
Meet with key accounting personnel and document understanding of internal processes	December
Identify significant accounting cycles and accounting applications and document control procedures	December
Year-End Fieldwork	
Obtain completed trial balances, general ledger, and supporting schedules	Early February
Perform substantive audit testing of the year-end balances. All data must be available at this time.	Late February/early March

Figure 8: Audit Schedule and Timing

9. Price Quote

Below we have outlined all pricing information relative to performing the audit engagements. Please note that the total all-inclusive maximum prices contain all direct and indirect costs, including all out-of-pocket expenses.

	Fee
Year ending December 31, 2019	\$18,000
Cash to accrual conversion work for December 31, 2019 year end balances	\$10,000
Year ending December 31, 2020	\$38,000
Year ending December 31, 2021	\$27,000

Year ending December 31, 2019 - For the year ending December 31, 2019, our fee includes the audit and preparation of a cash basis, DCED only financial report. As part of this audit we will perform analysis of all Township revenue and expense accounts using our IDEA data analysis tool discussed earlier in this proposal. Our procedures will also include obtaining a thorough understanding of all Township internal controls over all financial reporting areas such as cash, disbursements, receipts, payroll, journal entries, etc. and analyzing these areas for potential areas of improvement.

Cash to accrual conversion work for December 31, 2019 year end balances – In anticipation of preparing and auditing a full GAAP and GASB compliant Annual Financial Report that will be on the modified and full accrual basis of accounting for the year ending December 31, 2020, certain procedures will have to be performed so that we have accrual balances as of the beginning of the December 31, 2020 year. Those procedures will involve analyzing tax revenues, debt, general revenues and expenses, payroll, pension, and potentially other areas to calculate the correct receivables, other assets, accounts payable, long-term debt and other liabilities as of December 31, 2019/January 1, 2020. This work will be performed during Summer 2020.

Year ending December 31, 2020 – For the year ending December 31, 2020, our fee includes the audit and first year preparation of a full GAAP and GASB compliant Annual Financial Report that will be on the modified and full accrual basis of accounting. Our fee includes preparation of all statements and schedules required under the standards applicable to the Township and the preparation of all financial statement footnotes, required supplementary information and relevant supplementary information.

Year ending December 31, 2021 – For the year ending December 31, 2021, our fee includes the audit and preparation of a full GAAP and GASB compliant Annual Financial Report that will be on the modified and full accrual basis of accounting. Our fee includes preparation of all statements and schedules required under the standards applicable to the Township and the preparation of all financial statement footnotes, required supplementary information and relevant supplementary information.

The above fees also include minor research or consultations throughout the year. If the research or consultation is more time-intensive, we will discuss with you our fees to perform the task prior to starting any work.

Discounted Government Rates for the Year Ending December 31, 2019:

Staff Level	Hourly Rate
Partner	\$275
Manager	\$190
Staff	\$120

References

Our proposed team members have performed financial statement and single audits for similar government entities throughout Southeast Pennsylvania.

COUNTY	
Bucks County Industrial Development Authority	Pete Krauss 267-880-6071
Chester County Library	Barbara Webb County Librarian 610-363-0884
County of Montgomery	Karen Sanchez Controller 610-278-3072
Montgomery County Industrial Development Authority	David Zellers Director 610-278-3471
Redevelopment Authority of the County of Bucks	Joseph Hogan General Manager 215-781-8711
Redevelopment Authority of the County of Montgomery	610-278-3471

BOROUGHES AND TOWNSHIPS

Bensalem Township	John Chaykowski Finance Manager 215-633-3600
Borough of Hatfield	Michael DeFinis Borough Manager 215-855-0781
Borough of Lansdale	John Ernst Borough Manager 215-368-1691
Borough of Narberth	Sean Metrick Borough Manager 610-664-2840
Borough of New Morgan	Margie Bishop Borough Manager 610-286-9666
Borough of Phoenixville	Jean Krack Borough Manager 610-933-8801
Borough of Pottstown	Janice Lee Finance Director 610-970-6534
Borough of Royersford	Michael A. Leonard Borough Manager 610-948-3737
Borough of Tamaqua	Kevin Steigerwalt Borough Manager 570-668-3444
Borough of West Reading	Cathy Hoffman Borough Manager 610-374-8273
Caln Township	Charles Wilson Finance Director 610-384-0600

BOROUGHES AND TOWNSHIPS

City of York	Cherie A. Alwine Deputy BA for Finance 717-849-2223
East Goshen Township	Louis F. Smith, Jr. Township Manager 610-692-7171
East Whiteland Township	John Nagel Township Manager 610-687-3000
Easttown Township	Dan Fox Township Manager 215-723-1137
Exeter Township	John Granger Township Manager 610-779-5660
Highland Township	Barbara Davis 610-857-1791
Limerick Township	Daniel Kerr Township Manager
Lower Makefield Township	Kurt Ferguson Township Manager 267-274-1100
Lower Salford Township	Cecilia Parent Finance Director 215-256-8087
Montgomery Township	Larry Gregan Township Manager 215-393-6900
Municipality of Norristown	Crandall O. Jones Municipal Administrator 610-279-5836

BOROUGHES AND TOWNSHIPS

New Hanover Township	Jamie Gwynn Township Manager 610-323-1008
North Wales Borough	Christine Hart Borough Manager 215-699-4424
Oley Township	Shirley Moyer Township Secretary 610-987-3423
Sadsbury Township	Tammy Russell Treasurer 610-857-9503
Skippack Township	Christopher Heleniak Manager 610-454-0909
Towamencin Township	Rob Ford Township Manager 215-368-7602
Town of Middletown	Morris Deputy 302-378-9120
Town of Townsend	Rudolph Sutton, Jr. 302-378-8082
Upper Gwynedd Township	Dave Brill Finance Director 215-699-7777
Upper Macungie Township	Bruce Koller Finance Director 610-395-4892
Upper Makefield Township	David Nyman Township Manager 215-968-3340
Upper Merion Township	Nick Hiriak Finance Director 610-265-2600

BOROUGHES AND TOWNSHIPS

Upper Providence Township	Timothy Tieperman Township Manager 610-933-9179
West Conshohocken Borough	Mike English Borough Manager 610-828-9747
West Whiteland Township	Mimi Gleason Township Manager 610-363-9525
Whitpain Township	Roman Proczak Township Manager 610-277-2400
Willistown Township	David Burman Township Manager 610-647-5300

AUTHORITIES

Chester County Industrial Development Authority	John Buckheit, CFO Gary Smith, CEP Mike Griglioni, COO 610-321-8215
Chester County Water Resources Authority	Janet L. Bowers, P.G. Executive Director 610-344-5400
City of York General Authority	Cherie A. Alwine Deputy BA for Finance 717-849-2221
City of York Sewer Authority	Cherie A. Alwine Deputy BA for Finance 717-849-2221
East Goshen Municipal Authority	Louis F. Smith, Jr. Township Manager 610-692-7171
East Norriton-Plymouth- Whitpain Joint Sewer Authority	Timothy Boyd Executive Director 610-279-5759
Easttown Municipal Authority	Douglas Burnett Chairman 610-687-3000
Forest Park Water	Kathleen A. Pokropski Accountant 215-822-5950
Horsham Water and Sewer Authority	Tina M. O'Rourke Business Manager 215-672-8011
Kennett Area Park Authority	Eva Verplanck Treasurer 610-444-4878
Lower Moreland Township Authority	Christopher R. Hoffman Township Manager 215-947-3100

AUTHORITIES

Lower Pottsgrove Township Authority	Edward C. Wagner Township Manager 610-323-0436
Lower Salford Township Authority	Connie B. Weimer Executive Director 215-256-8676
North Penn Water Authority	Tony Bellitto Executive Director 215-855-3617
Pottstown Borough Authority	Janice Lee Finance Director 610-970-6534
Southeastern Chester County Refuse Authority	Scott Mengle General Manager 610-444-3833
Tamaqua Area Water Authority	Kevin Steigerwalt Borough Manager 570-668-3444
Tamaqua Borough Authority	Kevin Steigerwalt Borough Manager 570-668-3444
Towamencin Municipal Authority	Cindy Derr Finance Director 215-855-8165
Upper Providence Township Municipal Authority	Timothy Tieperman Township Manager 610-933-9179