

# REQUEST FOR PROPOSALS FOR PROFESSIONAL AUDITING SERVICES RFP #1718-55

CITY OF NORMAN, OKLAHOMA

Submitted by BKD, LLP  
6120 South Yale Avenue // Suite 1400 // Tulsa, OK 74136  
Phone: 918.584.2900  
S. Joel Haaser, CPA // Managing Director // [jhaaser@bkd.com](mailto:jhaaser@bkd.com)  
April 2, 2018

**MASTER  
TECHNICAL PROPOSAL**

**BKD**<sup>LLP</sup>  
CPAs & Advisors

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## TRANSMITTAL LETTER

April 2, 2018

**Mr. Anthony Francisco**

Director of Finance  
City of Norman  
201 West Gray // Building C  
Norman, OK 73069

### DEAR MR. FRANCISCO:

As the City of Norman, Oklahoma (City of Norman), continues to thrive as one of the most progressive cities in our state, you recognize the importance of maintaining your fiscal responsibility through wise stewardship of funds. That responsibility extends to the CPA and advisory firm you choose for your audit needs. As you perform due diligence in selecting a firm for professional audit services, the City of Norman needs the ongoing guidance, expertise and resources of a trusted CPA and advisory firm that can continue helping you have confidence in your financial statements and demonstrate your effectiveness at providing public services. With a consistent team of trusted advisors that understands the City of Norman's specific operating environment, we believe **BKD, LLP** is still the right choice.

At first glance, transitioning CPA and advisory firms may appear as a simple purchase of new services. However, the resources required of the City of Norman to educate new advisors on your operations, internal processes and people can require a significant investment. Beyond added time and costs, which can often include initial startup fees and numerous first-year meetings, the risk of material misstatements within your financials can escalate as an unfamiliar team works to understand your overall financial and organizational structure. Retaining trusted advisors from a top-tier firm can continue to provide engagement efficiencies, cost savings and, according to the American Institute of CPAs (AICPA), improved audit quality as the ongoing application of the City of Norman's policies and procedures is observed.

BKD understands the City of Norman requires a Financial Statement Audit in Accordance with *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for the fiscal year ending June 30, 2018. Auditing your financial statements and expressing an opinion on your compliance is a given responsibility of your service provider. However, how your audit is managed, the quality and timeliness of the results and the informed guidance you receive are what separates an accountant from a trusted advisor. We are committed to perform the work within your required time period.

As the Governmental Accounting Standards Board (GASB) prepares to release new, complex statements over the next five years, our expertise in implementing GASB standards means we can help the City of Norman smoothly implement the new standards without putting additional strain on your accounting department. In addition, with our experience preparing your comprehensive annual financial report (CAFR) and helping you successfully apply for the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program), we believe BKD is well qualified to serve you.

Furthermore, due to the depth of our resources, we can offer the City of Norman a fresh perspective with a new audit partner, if requested. With this approach, you can continue your working relationship with trusted advisors who are familiar with your operations and understand the challenges you face. We believe audit quality is maintained in long-term working relationships, and you can be confident independence will not be compromised.

The City of Norman is an important client, and we place great value on continuing our working relationship. We believe we have responded to your request with a proposal that is a firm and irrevocable offer for 90 days, which will allow our experienced professionals to continue providing timely, efficient and objective services. Should you have any questions about this proposal, you may reach us at 918.584.2900 or by email as provided below.

Sincerely,



Todd J. Lisle, CPA, ABV, CFE, CIA®  
Managing Partner  
tlisle@bkd.com



S. Joel Haaser, CPA  
Managing Director  
jhaaser@bkd.com

# RFP RESPONSE

For the City of Norman, Oklahoma's (City of Norman) convenience, **BKD, LLP** has structured our proposal according to the requirements in your Request for Proposal (RFP). We believe our proposal will demonstrate our qualifications to serve the City of Norman.

## 2. INDEPENDENCE

**The firm should provide an affirmative statement that it is independent of the City of Norman as defined by generally accepted auditing standards.**

BKD is independent with respect to the City of Norman as defined by the Code of Professional Conduct of the American Institute of CPAs (AICPA) and the United States Government Accountability Office's *Government Auditing Standards*. We are not aware of any relationship that would impair our independence.

**The firm should also list and describe the firm's professional relationships involving the City of Norman or any of its agencies for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.**

BKD has provided the City of Norman's financial statement audit for the past five years. However, that professional relationship does not constitute a conflict of interest relative to performing the proposed audit and compilation.

**In addition, the firm shall give the City of Norman written notice of any professional relationships entered into during the period of this agreement.**

BKD will provide written notice to the City of Norman's finance committee if any professional relationships are entered into that would compromise our independence.

## 3. LICENSE TO PRACTICE IN OKLAHOMA

**An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Oklahoma.**

BKD is properly licensed to practice public accounting in the state of Oklahoma. All key professionals who would be assigned to your engagement also are properly registered/licensed to practice in the state of Oklahoma.

## 4. FIRM QUALIFICATIONS & EXPERIENCE

**The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.**

### FIRM SIZE

BKD is one of the largest CPA and advisory firms in the United States, with 36 offices located in 16 states. Our approximately 2,650 CPAs, advisors and dedicated staff serve clients in all 50 states and clients with operations in more than 40 countries.

experience  
commitment

"BKD has been an awesome firm to work with. They have professional know-how and a high level of commitment to deadlines and timelines. Their proactive approach helps facilitate an efficient audit."

**Cherie Sanchez**  
Accounting Manager  
City of Westminster, Colorado

**GOVERNMENTAL AUDIT STAFF SIZE**

BKD has approximately 130 professionals who spend more than 50 percent of their billable hours providing audit services to governmental entities.

**LOCATION**

The City of Norman’s requested services will primarily be provided by our Oklahoma City, Oklahoma, office.

**BKD, LLP**  
 211 North Robinson Avenue // Suite 600  
 Oklahoma City, OK 73102

**NUMBER & NATURE OF STAFF**

We anticipate providing one managing director, one manager/in-charge and two associates on a full-time basis and one partner (concurring reviewer) on a part-time basis to complete the City of Norman’s audit.

**If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.**

BKD is not a joint venture or consortium.

**The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.**

BKD is committed to providing quality audit services to our clients. We submit our work to external reviewers, who challenge our approach and findings. We are proud of the findings from these reviews, which indicate that our process works.

Our most recent AICPA peer review included, among others, engagements performed under *Government Auditing Standards*. A copy of our most recent peer review report is included in the Appendix.

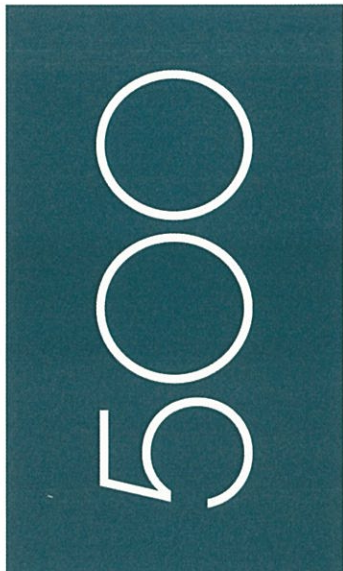
**The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years.**

From time to time, selected BKD audit engagements are subject to desk review by federal or other regulators. All such reviews during the past three years have shown our work to be generally satisfactory, and no disciplinary or other administrative proceedings have resulted from those reviews.

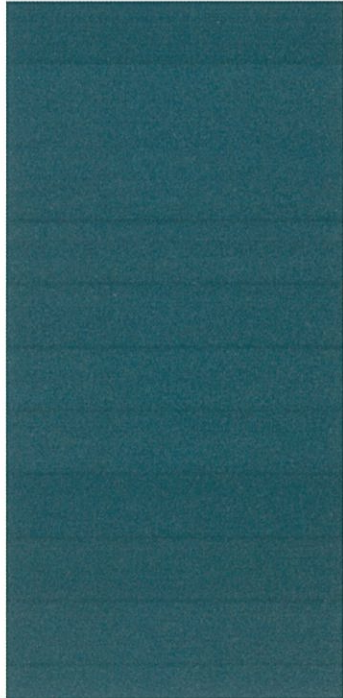
**In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.**

In December 2014, **BKD, LLP** consented, without admitting or denying the findings, to a U.S. Securities and Exchange Commission (SEC) Order Instituting Public Administrative and Cease-and-Desist Proceedings (“Order”). The Order was based upon the SEC’s findings that BKD had violated the SEC’s independence rules by participating in drafting client financial statements in connection with broker-dealer audits from 2010 through 2012. The remedies provided for in the Order included a small fine.

In November 2016, BKD reached a related settlement with the California Board of Accountancy. None of these proceedings affect BKD’s ability to serve clients.



**Experience confidence**  
 with a national firm that  
 serves approximately 500  
 governmental entities.



## 5. PARTNER, SUPERVISORY & STAFF QUALIFICATIONS & EXPERIENCE

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in Oklahoma. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement.

The most critical factor in providing high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs. As previously mentioned, each member of the engagement team is properly registered/licensed to practice in the state of Oklahoma.

### ENGAGEMENT TEAM EXPERIENCE



S. Joel Haaser, CPA  
Managing Director  
Engagement Role: Engagement Lead

Joel has approximately 17 years of experience providing audit services to governmental entities, including component units and a variety of Single Audits performed under Uniform Guidance on behalf of numerous federal agencies, as well as not-for-profit organizations. He has served in key engagement roles for a number of the Midwest's largest municipalities and tribal governments, casinos and business enterprises. Joel also has supervised other not-for-profit and governmental compliance audits and numerous types of agreed-upon procedures required by state, tribal and federal agencies.

He was recognized with the 2017 Growth Leader Award by BKD National Not-for-Profit Group, BKD National Governmental Group and BKD National Higher Education Group. The award recognizes an individual who goes above and beyond to make an outstanding contribution to BKD by achieving exemplary revenue growth results.

Joel is a member of the American Institute of CPAs and Oklahoma Society of CPAs (OSCPA), for which he serves on the governmental accounting and auditing committee. He is a licensed CPA in Oklahoma, Texas and Arkansas.

He is a member of the Government Finance Officers Association's special review committee for the Certificate of Achievement for Excellence in Financial Reporting Program. He also is a presenter and speaker for continuing professional education courses and has published firm-sponsored articles on a variety of not-for-profit and governmental accounting and auditing topics. Joel serves on the Lindsey House Finance Committee and Board of Directors and is a graduate of Leadership Tulsa Class 51. He received a 2017 Achiever Under 40 award from **The Journal Record**, 2016 Trailblazer award from OSCP, 2016 Tulsa 40 award from **Tulsa Business & Legal News** and a 2015 Star award from Leadership Tulsa.

Joel is a 1999 graduate of Arkansas State University, with a B.S. degree in accounting.

As of March 2018, he has completed 267 hours of continuing professional education (CPE) for the past three years.



**Robyn A. Devore, CPA**  
**Partner**  
**Engagement Role: Concurring Reviewer**

Robyn is a member of BKD National Governmental Group. She helps lead the team for this industry in BKD's Oklahoma offices. Robyn has more than 24 years of experience providing audit and consulting services for government agencies, including several municipalities and public utilities, colleges, universities, foundations and other not-for-profit organizations, many of which receive federal awards.

She provides concurring review services for the Oklahoma practice unit and other BKD governmental and not-for-profit clients around the firm, especially those needing audits performed in accordance with Uniform Guidance. She regularly assists clients with a variety of issues, including internal control questions, federal grant compliance, new accounting standard implementation, agreed-upon procedures and bond issuances.

Robyn is a former board member of the Great Plains Government Finance Officers Association (GPGFOA) and often speaks at the GPGFOA's semiannual conferences. She regularly attends more than 50 hours of continuing professional education focusing in not-for-profit and state and local government accounting and auditing. Robyn has attended and provided training specific to student financial aid and Uniform Guidance requirements. She also has co-authored a not-for-profit case study, which was published by the American Institute of CPAs (AICPA) as part of the AICPA Professor/Practitioner Case Development Program.

She is a member of AICPA, Government Finance Officers Association, Oklahoma Society of CPAs, Nebraska Society of Certified Public Accountants and Missouri Society of CPAs. She also is a current member of Leadership Tulsa Class 59 and a graduate of Leadership Lincoln Class XXI. Robyn recently relocated to Oklahoma from Nebraska.

Robyn is a 1993 *summa cum laude* graduate of Drury University, Springfield, Missouri, with a B.A. degree in accounting and business administration.

As of March 2018, she has completed 227.5 hours of CPE for the past three years.



**Casey R. Morgan, CPA**  
**Manager**  
**Engagement Role: Audit Manager**

Casey has experience providing audit and attestation services for governmental agencies, not-for-profit entities and financial institutions. She has served as an experienced associate on governmental and not-for-profit audits, as well as external audits and agreed-upon procedures engagements for a wide array of clients, including employee benefit plans.

Her most recent engagements include the Choctaw Nation Housing Authority, Choctaw Nation, City of Oklahoma City's comprehensive annual financial report and Oklahoma City Airport.

Casey is actively involved in the community through her participation in numerous charitable and civic organizations. She also is involved in recruiting and mentoring new professionals.

She is a member of the American Institute of CPAs and the Oklahoma Society of CPAs.

Casey is a 2011 graduate of The University of Oklahoma, Norman, with a B.S. degree in business and an M.Acc. degree.

As of March 2018, she has completed 190.5 hours of CPE for the past three years.





**Cassie T. Norris**  
Associate  
Engagement Role: Audit In-Charge

Cassie's clients include municipalities and other government agencies, including tribes and their gaming enterprises, in addition to various not-for-profit and for-profit entities. She also has significant knowledge of Single Audits and agreed-upon procedures engagements for clients subject to National Indian Gaming Commission Minimum Internal Control Standards.

She has participated with Oklahoma Society of CPAs' Governmental Accounting & Auditing Conference and the Native American Finance Officers Association's semiannual conference.

Cassie is a 2014 graduate of Pittsburg State University, Kansas, with a B.S. degree in accounting and an M.B.A. degree.

As of March 2018, she has completed 281.5 hours of CPE for the past three years.

## ADDITIONAL RESOURCES



**Ronald D. Hulshizer, CMA®, CGEIT®, CISA**  
Managing Director

Ron has more than 25 years of experience helping companies with IT, security and financial accounting issues. Ron's primary focus is providing IT security services and internal audit IT work to financial institutions. Prior to joining BKD, Ron worked at technology firms, where he was responsible for financial and operational aspects, including IT operations and data centers.

His team conducts Federal Financial Institutions Examination Council reviews, general IT control reviews, internal and external penetration tests, business continuity planning and social engineering reviews for approximately 250 banks and financial institutions. Ron also coordinates System and Organization Controls (SOC) reports and *Statement on Standards for Attestation Engagements 18* (SSAE 18) reviews for banking and other financial institution clients.

Ron is a member of ISACA® and InfraGard. He holds Certified Management Accountant® (CMA®), Certified in the Governance of Enterprise IT (CGEIT®) and Certified Information Systems Auditor (CISA) designations.

He has been interviewed and published in various publications, including **WebCPA** and **Illinois Banker**. He speaks to banking associations about IT security and compliance and has spoken to the Arkansas Bankers Association, Kansas Bankers Association, Nebraska Bankers Association, Community Bankers Association of Illinois, Oklahoma Bankers Association, Texas Bankers Association, Independent Bankers Association of Texas and Financial Managers Society.

Ron is a graduate of James Madison University, Harrisonburg, Virginia, with a B.B.A. degree, and a 1991 graduate of Ashland University, Ohio, with an M.B.A. degree.



**Deborah E. Beams, CPA**  
Director

Deborah, the current assistant accounting and auditing director for the firm's Dallas office, has more than 10 years of accounting and auditing experience working primarily in the not-for-profit and government industries. She also has extensive experience with Single Audits. Prior to her employment with BKD, Deborah was an auditor with an international firm. Her clients included public and private institutions of higher education, private schools, municipalities, religious organizations and health and welfare organizations.

She spent three years as a practice fellow at the Governmental Accounting Standards Board. During that time, she worked on projects leading to the issuance of GASB Statements on nonexchange financial guarantees, fair value and external investments pools. She also originated and led the GASB project on leases, which involved collaboration with Financial Accounting Standards Board staff and presentations to the Federal Accounting Standards Advisory Board.

Deborah is a member of the American Institute of CPAs and Texas Society of Certified Public Accountants.

She is a *summa cum laude* graduate of University of North Texas, Denton, with a B.S. degree as well as a 2005 graduate with an M.S. degree, where she was named Outstanding Masters Student.

## CONTINUING PROFESSIONAL EDUCATION

Our audit professionals are required to receive at least 120 hours of CPE every three years. For auditors involved with audits performed under *Government Auditing Standards*, this education includes the hours required to comply with *Government Auditing Standards Yellow Book* guidance. All individuals, including specialists involved in performing fieldwork on *Government Auditing Standards* audits, are required to obtain at least 24 hours of CPE every two years in subjects directly related to governmental auditing or the governmental environment. In addition, engagement team members responsible for planning, directing or reporting on *Government Auditing Standards* audits who spend more than 20 percent of their time performing *Government Auditing Standards* audits also are required to complete a minimum of 80 hours of CPE every two years that directly enhances their professional proficiency to perform audits.

BKD offers an internal industry update seminar for managers through partners, as well as a seminar for our in-charge level employees. These seminars include auditing and accounting issues that are specific to governmental entities, including *Government Auditing Standards*, Single Audits and accounting standards for governmental financial reporting. BKD professionals also receive additional training from external sources.

### **Indicate how the quality of staff over the term of the agreement will be assured.**

While turnover in CPA firms is natural, you should expect your audit team to remain relatively constant throughout the years. In an appropriate staffing progression, the audit team changes as the individuals' experience and responsibility progress and new professionals are introduced in entry-level positions. Through formal staff counseling (coaching/mentorship), timely job performance evaluation, direct supervision, client feedback and our personal service philosophy, we have been able to hold our staff turnover rate to a level comparable to that of other national firms. More importantly, our client-centered service approach and commitment to industry specialization help our retention efforts. Our professionals choose the industry they work in and have a passion for it.

### **The proposer should identify the extent to which staff to be assigned to the audit reflect the City of Norman's commitment to Affirmative Action.**

BKD has an affirmative action plan in place and understands our obligation to comply with all applicable federal, state and local laws and regulations governing nondiscrimination in the workplace and providing equal employment opportunity. BKD prohibits discrimination in employment on the basis of an individual's age, race, color, sex, sexual orientation, gender identity, national origin, religion, genetic information, disability, protected veteran status and other protected classifications. This policy is designed to ensure equal employment opportunities including, but not limited to, recruiting, hiring, training, promotions, pay practices, benefits, disciplinary actions and terminations.

**Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Norman. However, in either case, the City of Norman retains the right to approve or reject replacements.**

**Consultants and firm specialists mentioned in response to this Request For Proposal can only be changed with the express prior written permission of the City of Norman, which retains the right to approve or reject replacements.**

We understand engagement team members, consultants and firm specialists mentioned in our response to this RFP can only be changed with the prior express written permission of City of Norman, which retains the right to approve or reject replacements.

**Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.**

We generally do not remove key personnel from an audit once it has begun, but occasionally employee turnover or other events beyond our control require such a change. If a personnel change is required, we are confident we can provide a qualified replacement to complete your audit with limited interruption.

In the event we are required to make a change to any key personnel assigned to your engagement, we will discuss this with you to explain the circumstances and proposed change. Your engagement lead, Joel Haaser, or office managing partner will be coordinating personnel changes.

## 6. PRIOR ENGAGEMENTS WITH THE CITY OF NORMAN

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the City of Norman by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

### City of Norman, Oklahoma

Scope of Work: Financial Statement Audit in Accordance with *Government Auditing Standards* & Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), & Oklahoma State Auditor & Inspector Form 2643 Compilation

Dates: July 1, 2012, to June 30, 2017

Engagement Partner/Managing Director: S. Joel Haaser, CPA

Total Hours: 650

Firm's Office Locations: Oklahoma City, OK, & Tulsa, OK

Principal Client Contact: S. Joel Haaser, CPA

Phone Number: 918.584.2900

## 7. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

### City of Oklahoma City

Scope of Work: CAFR Audit, Single Audit, trust authority standalone audits, various other agreed-upon procedures engagements

Dates: 2010 to 2015

Engagement Partner/Managing Director: Chad Moore/Joel Haaser

Total Hours: 5,500

Ms. Becky Rhodes

Assistance Finance Director

405.297.2296

rebecca.rhodes@okc.gov

### Cherokee Nation

Scope of Work: CAFR Audit, Single Audit, multiple component unit standalone audits, various other agreed-upon procedures

Dates: 2005 to Present

Engagement Partner/Managing Director: Joel Haaser

Total Hours: 2,500

Ms. Lacey A. Horn

Treasurer

918.207.3902

lacey-horn@cherokee.org

### Oklahoma City-County Health Department

Scope of Work: Financial Statement Audit & Single Audit

Dates: 2013 to Present

Engagement Partner/Managing Director: Joel Haaser

Total Hours: 500

Mr. Tony Miller

Chief Financial Officer

405.425.4349

tony\_miller@occhd.org

### Citizen Potawatomi Nation

Scope of Work: CAFR Audit & Single Audit

Dates: 2009 to Present

Engagement Partner/Managing Director: Robyn Devore

Total Hours: 1,500

Ms. Susan Blair

Chief Financial Officer

405.275.3121

sblair@potawatomi.org

### Choctaw Nation

Scope of Work: Financial Statement Audit, Single Audit, multiple component unit standalone audits, various other agreed-upon procedures

Dates: 2008 to Present

Engagement Partner/Managing Director: Kevin Kemp/Joel Haaser

Total Hours: 3,500

Mr. Robert Bond

Director of Finance

580.924.8280

rbond@choctawnation.com

## 8. SPECIFIC AUDIT APPROACH

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as the City of Norman's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

### ■ FINANCIAL STATEMENT AUDIT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS & UNIFORM GUIDANCE

BKD's audit approach focuses on areas of higher risk—the unique characteristics of the City of Norman's operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

These principles make up the foundation of BKD's audit approach:

- ▶▶ The staff working on your engagement have been trained in governmental entities. You will not have to train our people on the issues that affect the government industry, such as bonded debt issues, including arbitrage requirements and defeasances, net asset classification requirements, pension reporting, recognition of grant revenues and expenditures, nonexchange transactions, modified accrual accounting and numerous other technical issues governments face.
- ▶▶ We provide a significant level of engagement executive involvement so you receive high-quality service with little interruption. We recognize we have to be flexible because not all audits go as planned. Because our partners and managers are in the field, we can adapt quickly to circumstances that arise.
- ▶▶ Communicating the results of our audit procedures and sharing ideas to help your accounting processes are integral parts of your engagement. In addition, you will find communication does not end when the audit is completed. We strive to keep in contact with your management team throughout the year. Continued communication means you can receive an efficient and effective audit.

Using our five-phase approach, we will work with you to develop an audit plan tailored to your specific circumstances and risks.

## PHASE 1: PLANNING

As required by auditing standards, we will communicate with your finance committee and management team early in the audit process. Our communication with these groups is a two-way process: we will be informing them of the scope and timing of the audit, but in return we will ask that they let us know about any risk issues they have identified, any areas where they would like us to perform additional procedures or anything else material to the audit.

BKD also will work closely with your management team to develop an audit timeline that meets your requirements. For any audit to be successful, teamwork between the auditors and the management team is required. Both parties must set a realistic timeline to meet required deadlines.

As part of the planning meeting, we will identify information you have readily available for the audit and what additional information we will need. We recognize the importance of compliance with professional standards, but we also emphasize the need to be practical. When possible, during our testing of year-end account balances, we will want to use your internal reports and information.

### Materiality

BKD has a defined methodology for governmental entities that does not simply consider net income, but focuses on other metrics, such as total assets, total revenue or other meaningful metrics to scope our audit approach, evaluate actual or potential errors and develop audit samples. In addition, we will seek the input of your finance committee and management team to further direct our testing procedures prior to finalizing our scope.

## PHASE 2: RISK ASSESSMENT

BKD will follow standards established by the Auditing Standards Board of the AICPA. These auditing standards affect the amount and type of information BKD will gather to perform your audit.



## OUR FIVE-PHASE APPROACH TO FINANCIAL STATEMENT AUDITS

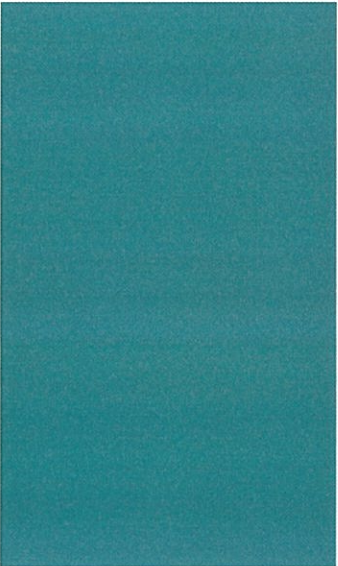
1 » Planning

2 » Risk Assessment

3 » Fieldwork, Testing &  
Further Audit Procedures

4 » Report &  
Communications Delivery

5 » Presentation



We will:

- ▶▶ Obtain an understanding of your business and business environment, significant risks you face and how you mitigate those risks. This will include examining how you measure and manage financial performance, as well as your internal control over financial reporting.
- ▶▶ Evaluate where your financial statements might be susceptible to material misstatement due to error or fraud.
- ▶▶ Consider whether internal controls have been implemented and assess the general controls around your IT systems.
- ▶▶ Assess risks of material misstatement for the most significant financial statement amounts and disclosures.

To help facilitate the testing of internal controls, we use questionnaires specific to governmental entities, which expedite gathering your control information. Based on the documentation of your controls, we will test the key controls of your organization.

We expect to interview your personnel and review prior city council and finance committee meeting minutes as part of our information-gathering process.

### PHASE 3: FIELDWORK, TESTING & FURTHER AUDIT PROCEDURES

Based on our assessment of risks of material misstatements and determination of further audit procedures to be performed, we will design audit tests that take advantage of strengths in your internal control system.

During fieldwork, we will:

- ▶▶ Perform substantive tests on material account balances
- ▶▶ Evaluate significant unusual transactions
- ▶▶ Ask management to further explore and clarify any identified potential misstatements
- ▶▶ Evaluate the materiality of those misstatements, if applicable
- ▶▶ Conclude whether all identified risks of material misstatement have been addressed
- ▶▶ Hold a formal exit conference with the finance committee and management team to share findings and preliminary deliverables

BKD also will perform some tests from the following alternatives:

- ▶▶ Test key items – Some items within an account may be large enough by themselves to involve significant risk of material misstatement. These key items can be audited individually.
- ▶▶ Sampling – A detailed audit of representative individual items (a sample) selected from a population.
- ▶▶ Analytical procedures – Taking a closer look at a grouping of information by examining it as it relates to other accounts, historical trends or other measures.
- ▶▶ Computer-assisted auditing techniques (CAAT) – BKD uses ACL as one of the primary tools to apply CAAT. The use of ACL allows us to analyze data electronically, handle large amounts of data and increase the effectiveness and efficiency of audit procedures.

As needed, our partners across the firm serve as technical resources with expertise to deal with particularly challenging or unique situations that may arise in the course of your audit.

We know a great deal of audit information often comes from third parties. Sometimes information from those parties is not received on time. To keep your report on schedule, we will keep you informed of the status of outstanding items.

### PHASE 4: REPORT & COMMUNICATIONS DELIVERY

A cornerstone of the quality of our audits is the use of a concurring reviewer before the issuance of any reports. Another member of our assurance team, who has otherwise not been involved in the engagement, reviews the financial statements and workpapers before issuing the report.

Generally accepted auditing standards establish requirements and provide guidance on our communication with those charged with governance. In addition, if applicable, we will issue a report to management and those charged with governance of any significant deficiencies or material weaknesses identified during the audit.

Our commitment to a smooth engagement also includes the timely delivery of our audit report. A draft of the audit report, management letter and any other deliverables will be provided to you for your review and comments. After completing our fieldwork, we generally deliver our audit report and other communications within three to four weeks.

## PHASE 5: PRESENTATION TO CITY COUNCIL

You may want to formally share your audit results with your city council. We can help make a presentation to your city council and answer their questions.

## TIMING & YOUR BKD TEAM

Overall, we plan to spend about four weeks in your office working, approximately one week on interim/planning/gathering information to design our audit approach and three weeks on final fieldwork at year-end. We will coordinate the scheduling of your audit to both accommodate your schedule and to allow for the timely completion of deliverables.

Your BKD team will include an experienced engagement in-charge and two to three associates, who will be on site performing further audit procedures and gathering the information we need to support our opinion. In addition, your team will be led by a partner with experience in governmental entities, who will direct our staff's audit approach, review their work and communicate audit results.

## COMPLIANCE AUDIT IN ACCORDANCE WITH UNIFORM GUIDANCE

BKD performs hundreds of Single Audits annually, focusing on two objectives: first, an audit of your financial statements and reporting on the Schedule of Expenditures of Federal Awards (SEFA) in accordance with *Government Auditing Standards*, and second, a compliance audit for federal awards expended during the fiscal year.

At least one-third of our not-for-profit and governmental clients receive federal funding. Our extensive experience with compliance testing in accordance with the Office of Management and Budget (OMB) requirements can help provide City of Norman with a Single Audit performed properly and submitted on time.

### Our Uniform Guidance Audit Approach

During our audit procedures of federal award programs, we do not simply look for findings to report. We look for opportunities to advise you of more efficient ways to comply with federal regulations to reduce the risks of sanctions or reduced funding. BKD has developed contacts at federal agencies and has been able to work cooperatively with these agencies to help clients resolve or avoid issues.

Entities subject to the Uniform Guidance and *Government Auditing Standards* will benefit from BKD's specially designed audit programs, checklists and database of federal audit programs.

Identification and testing of your federal programs will be performed primarily during interim fieldwork, which will typically be performed before your fiscal year-end. We have found this to be the most efficient manner in which to perform our audit services when the additional Uniform Guidance requirements are present.

### Training Requirements for Uniform Guidance Auditors

City of Norman can have confidence in BKD auditors' experience in testing federal funding subject to Uniform Guidance. As previously mentioned, our audit professionals are required to receive at least 120 hours of CPE every three years, and for auditors involved with audits performed under *Government Auditing Standards*, this education includes the hours required to comply with *Government Auditing Standards* **Yellow Book** guidance. Staff members attend a series of core audit and accounting courses over the first four years of their careers. Staff subsequently receive additional training on accounting and auditing for the not-for-profit and government environment.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement

## AUDIT SEGMENTATION

A further breakdown of the segments identified above includes the following:

- ▶▶ Completion of client acceptance procedures, including review of predecessor auditors' workpapers and making required inquiries of the predecessor auditors
- ▶▶ Completion of risk assessment procedures in accordance with generally accepted auditing standards. Requirements under these standards require us to obtain an understanding of your control environment, assess the risks of material misstatement, determine materiality and develop our audit procedures accordingly
- ▶▶ Fraud interviews
- ▶▶ Communications to the governing body prior to commencement of our audit
- ▶▶ Audit procedures, including:
  - Inspection of records or documents (the City of Norman minutes, approved budgets, select invoices, payroll records, cash receipt and disbursement documents, purchase orders, contracts, agreements, grant documents, bond documents, etc.)
  - Inspection of tangible assets
  - Inquiry of those charged with governance and management
  - Confirmation of account balances
  - Recalculation of amounts
  - Reperformance or observation of procedures performed by the City of Norman personnel
  - Performance of analytical procedures
- ▶▶ Walkthroughs of transactions
- ▶▶ Provision of a list of information we will need to perform our audit early in the planning process
- ▶▶ Evaluation of compliance with critical laws and regulations, including obtaining legal representation letters
- ▶▶ Single Audit testing
- ▶▶ Conferences with the City of Norman's personnel throughout the engagement process, from the planning phase through the completion of the engagement. This helps BKD and the City of Norman promptly and accurately address potential audit issues and meet critical deliverable due dates
- ▶▶ Provision of drafts of all deliverables to management in sufficient time to address any questions they might have and, with respect to identified internal control matters and Single Audit findings, to identify whether all relevant facts, as we understand them, are accurate and management has sufficient time to provide responses
- ▶▶ Quality control review procedures



## ESTIMATED HOURS BY AUDIT SEGMENTATION

### TECHNICAL WORK PLAN

Task/Event	Proposed Timing	Assigned Personnel	Work Hours
<b>Planning</b>			<b>50</b>
Delivery of internal control forms	May 2018	Norris/Morgan	
Delivery of detailed audit plan & list of schedules to be prepared by the City of Norman	May 2018	Norris/Morgan	
Pre-audit planning meeting/entrance conference with finance committee	June 2018	Haaser/Morgan	
<b>Risk Assessment</b>			<b>80</b>
Pre-audit communication to those charged with governance	September 2018	Haaser/Morgan	
Client completion of internal control questionnaires	June 2018	Norris/Morgan	
Planning & interim fieldwork	June 2018	Staff/Norris/Morgan	
Review & walkthrough of internal controls, including IT	June 2018	Staff/Norris/Morgan	
Completion of planning forms, including preliminary analytics, interviews with key management, confirmation work & review of board meeting minutes	June 2018	Staff/Norris/Morgan	
Planning for Federal awards compliance audit based on receipt of Schedule of Federal Awards	June 2018	Norris/Morgan	
Supervision & Review	July 2018	Haaser/Morgan	
<b>Fieldwork, Testing &amp; Further Audit Procedures</b>			<b>546</b>
Cash & investments			
Receivables			
Inventory			
Capital assets			
Other assets			
Payable & accruals			
Debt			
Pension obligations & OPEB liabilities			
Net assets			
Income & expenses			
Supervision & review			
Special compliance reports			
Single Audit testing			
Weekly progress reporting	October & November 2018	Staff/Norris/Morgan	
Exit conference with city manager, finance director, chief accountant & other staff at the City of Norman's option	Early November 2018	Haaser/Morgan	

<b>Task/Event</b>	<b>Proposed Timing</b>	<b>Assigned Personnel</b>	<b>Work Hours</b>
<b>Report &amp; Communications Delivery</b>			<b>40</b>
Delivery of drafts of the June 30 deliverables	On or before November 8, 2018	Haaser/Morgan	
Finance committee presentation	Early November 2018	Haaser/Morgan	
Concurring reviewer independent final review	November 2018	Devore	
Delivery of final financial statements, management letters & other communications to those charged with governance	On or before November 22, 2018	Haaser/Morgan	
<b>Presentation</b>			<b>4</b>
Presentation to city council	December 2018	Haaser/Morgan	
<b>Total Hours</b>			<b>720</b>

### c. Sample size and the extent to which statistical sampling is to be used in the engagement

Although it is not possible to set absolute rules for identifying sample sizes, we apply our professional judgment in identifying the appropriate sample size. The objective is to test the population to obtain reasonable confidence that the test objectives have been met. Sample sizes are controlled by the following considerations:

- ▶▶ Tolerable error (precision) – as the expected monetary conclusion becomes more critical, sample size should increase to tighten the range of the extrapolated estimate
- ▶▶ Significance of the account to the financial statements – as the significance increases, sample size should increase
- ▶▶ Assessment of internal control risk – as assessed risk is reduced, sample size for substantive tests should decrease
- ▶▶ Extent of other substantive audit procedures related to same audit objective (tests of detail, as well as analytical review) – as the extent of other procedures increase, sample size should decrease
- ▶▶ Frequency and magnitude of expected errors – as the frequency and magnitude of expected errors increase, sample size should increase
- ▶▶ The size of the population to be sampled and whether a sample is appropriate

We anticipate using certain data extraction tools, such as ACL, in selecting and testing samples or complete populations, where appropriate. These effective tools allow us to efficiently test larger amounts of data.

### d. Extent of use of EDP software in the engagement

BKD regularly uses CAAT to help improve efficiencies and reduce audit costs. Data for organizations the size of City of Norman is often too voluminous to audit manually. We have found significant value in the use of CAAT, which incorporates paperless audit applications and electronic journal entry testing into our audit approach. In addition, CAAT can help increase the effectiveness of the audit by testing 100 percent of populations and automating some of the more labor-intensive portions of audit procedures.

We also use ACL software, a powerful product that allows our audit team to securely import electronic information in a variety of formats and convert data to perform sophisticated mining and analyses. ACL is a worldwide industry leader in CAAT software. We have trained more than 500 professionals throughout our firm as software champions who can work with your IT professionals to coordinate the acquisition and transfer of data sets. Our team's ability to speak the language of data management can help facilitate a smooth process for data identification and extraction.

### e. Type and extent of analytical procedures to be used in the engagement

Analytical procedures involve auditing a material assertion or account balance by investigating its relationship to an expectation such as other accounts, historical trends or other related measures. BKD recognizes that stronger analytical procedures can help reduce or eliminate other substantive procedures that are usually more time-consuming. We would typically consider:

- ▶▶ Ratio analysis – comparing relationships among account balances, ratios, nonfinancial data, budgets or industry averages
- ▶▶ Reasonableness tests – using financial and/or nonfinancial data to develop an expectation of an account balance

## experience support

"The BKD team really took the time to understand the City's problems from the viewpoint of our customers, worked with our own personnel, and developed practical and thoughtful solutions that are addressing some of our most pressing needs. It's clear that they really understand operations. We really couldn't have asked for a better relationship and I am excited about the results we are seeing."

**Tim Keane**  
Commissioner  
Department of Planning and  
Community Development  
Atlanta, Georgia

Successfully using analytical procedures requires auditors to ask the questions:

- ▶▶ What is the risk of material misstatement?
- ▶▶ How would we find those misstatements?
- ▶▶ Have I gathered enough audit evidence?

When analytical procedures provide sufficient evidence, other substantive audit procedures should not be necessary. If analytical procedures are not sufficient, some combination of analytical and substantive procedures is likely to be the preferred approach.

**f. Approach to be taken to gain and document an understanding of the City of Norman's internal control structure**

As a component of developing our audit approach, we will spend considerable time documenting and testing the internal control structure used by the City of Norman and its related entities. This will include a multiphased approach as follows:

- ▶▶ We will ask the City of Norman's staff to update various industry-specific questionnaires designed to summarize your control structure. We will then scrutinize the changes in your current structure to identify what key controls you have developed for each material control objective. During this process, we will look for gaps in your control structure and summarize recommendations for management and the finance committee's consideration.
- ▶▶ After identifying all key controls, we will perform walkthroughs of those controls as required by the audit standards. We will search for gaps in the operation of these controls and offer suggestions for improvement that we identify.
- ▶▶ We help you update detailed duties grids specifically designed for governmental entities and challenge your assignment of various duties for potential segregation conflicts. We will perform additional walkthrough procedures for areas where conflicts may exist but compensating controls have been developed. For unmitigated conflicts, we will summarize the conflict and resulting risk, report our findings to management and the City of Norman's finance committee and help you design control changes that would remove the conflict in a cost-beneficial manner.
- ▶▶ We also will ask the City of Norman's staff to update questionnaires specific to your IT control structure. We will analyze the responses and identify what controls you have implemented to protect the confidentiality, integrity and availability of your critical information assets and whether the controls are operating as intended. This includes performing walkthrough tests of key controls of your IT system security controls, as well as assessing the effectiveness of these controls and security measures and utilizing IT specialists as we deem necessary.

**g. Approach to be taken in determining laws and regulations that will be subject to audit test work**

Identification of applicable laws and regulations will begin with an inquiry of management as to your understanding of applicable laws and regulations. In addition, our reviews of various documents, indentures, agreements, etc., will be designed to further assess that all known laws and regulations are encompassed within the scope of the audit. We are experienced in auditing cities and municipalities in the state of Oklahoma and are familiar with the laws and regulatory environment in which you operate.

**h. Approach to be taken in drawing audit samples for purposes of tests of compliance**

The sampling approach anticipated to be used in connection with the various areas of the audit is judgmental in nature. The size and nature of the population being tested, along with the assessed risk of the associated financial statement line item affected, will determine the size and approach for selecting a sample. All sample sizes will be sufficient to meet all requirements of the various state and federal laws and regulations. We anticipate using data extraction tools, such as ACL's data extraction and analysis software, in certain situations in selecting and testing samples or complete populations, where appropriate.

## 9. IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City of Norman.

### IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

While we do not anticipate significant audit problems, we understand the importance of good channels of communication with key engagement team members to facilitate the discussion of issues that may arise. Once we commence final fieldwork, we would ask for management's participation in weekly progress meetings that would facilitate such communication and allow for timely identification and response to problems that may be encountered.

### OUR EXPECTATIONS OF YOUR STAFF

The City of Norman plays a major role in the timely completion of your audit. We understand audit procedures can add time to your staff's day, which is why we plan our work to facilitate effective client participation. This helps us control costs, reduce unnecessary disruptions and meet deadlines.

We need your staff to maintain records in good condition, provide the necessary schedules and cooperate with our audit team. Most organizations routinely prepare these records and schedules during their normal monthly or annual closing process.

Assistance from your personnel may include:

- ▶▶ Preparing a complete and accurate general ledger trial balance by account, to which very few adjustments are needed
- ▶▶ Preparing accurate audit schedules to support all significant balance sheet and certain other accounts
- ▶▶ Responding to auditor inquiries
- ▶▶ Preparing confirmation and other letters
- ▶▶ Pulling selected invoices and other documents from files
- ▶▶ Helping to resolve any differences or exceptions noted
- ▶▶ Completing documentation of internal controls
- ▶▶ Completing financial statements and footnote information

We will provide a list of the needed items well in advance of any deadlines, as well as spreadsheet templates for many of these schedules. We also will meet with your staff, as needed, to help them clearly understand what we need.

## 10. REPORT FORMAT

The proposal should include sample formats for required reports.

Please see the Appendix for the sample reports.

“Unmatched client service isn’t just a slogan at BKD; it’s the backbone of our culture.”

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Theodore D. Dickman, CPA  
Chief Executive Officer | BKD, LLP

# APPENDIX

## ADDITIONAL SERVICE IDEA

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### CYBERSECURITY SERVICES

BKD's IT Risk Services (ITRS) division routinely provides cybersecurity solutions to help organizations understand and mitigate the risks associated with complex and ever-evolving cybersecurity threats. By combining our technical knowledge and industry perspective, we can evaluate your cybersecurity processes as they relate to core business functions.

Our service methodology is rooted in three key principles:

- ▶▶ **Efficiency:** Our team of highly skilled professionals can work with the City of Norman to tailor an approach based on your timing requirements
- ▶▶ **Integration:** By leveraging multiple control frameworks and standards, we can incorporate best practices gained from our extensive experience across multiple industries
- ▶▶ **Collaboration:** As we evaluate the control environment with your business needs in mind, we can assist you in developing an effective cybersecurity approach that looks beyond the technology driving the processes

Our services include:

- ▶▶ Cybersecurity Risk Assessment
- ▶▶ Advanced Threat & Vulnerability Testing
- ▶▶ Advanced Social Engineering
- ▶▶ Incident Response
- ▶▶ Incident Analysis & Investigation
- ▶▶ Business Continuity Resilience
- ▶▶ Chief Information Security Officer Services

We want to help the City of Norman identify the critical threats affecting your IT infrastructure and business operations while working toward the common goals of cybersecurity readiness and operational sustainability.

## AICPA PEER REVIEW LETTER



American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

October 26, 2017

Theodore Dickman  
BKD, LLP  
201 N Illinois St Ste 700  
Indianapolis, IN 46204 4224

Dear Theodore Dickman:

It is my pleasure to notify you that on October 26, 2017, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is November 30, 2020. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Thank you for your cooperation and support of the profession's practice-monitoring programs.

Sincerely,

A handwritten signature in black ink that reads 'Michael Fawley'. The signature is written in a cursive style.

Michael Fawley  
Chair - National PRC  
nprc@aicpa.org 919-402-4503  
National Peer Review Committee

CC: Candace Wright, L Bennett

Firm Number: 900010002800

Review Number: 552103



# BKD PEER REVIEW REPORT



8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809  
225-922-4600 Phone – 225-922-4611 Fax – [pnpcpa.com](http://pnpcpa.com)

Postlethwaite & Netterville and Associates, L.L.C.

## Report on the Firm's System of Quality Control

To the Partners of  
BKD, LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

### Firm's Responsibility

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

### Peer Reviewer's Responsibility

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

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of carrying broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

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

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017, 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*. BKD, LLP has received a peer review rating of *pass*.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 6, 2017

## SAMPLE REPORTS

### Independent Auditor's Report

Honorable Mayor and City Council  
City of Example, State  
Example, State

#### Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Example, State (the City), as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and City Council  
City of Example, State  
Page 2

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 20XX, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information, introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents, information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Honorable Mayor and City Council  
City of Example, State  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 20XX, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Oklahoma City, Oklahoma  
November XX, 20XX

SAMPLE

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Honorable Mayor and City Council  
City of Example, State  
Example, State

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Example, State (the City), as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November XX, 20XX.

***Internal Control over Financial Reporting***

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and City Council  
City of Example, State

***Compliance***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the City's management in a separate letter dated November XX, 20XX.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oklahoma City, Oklahoma  
November XX, 20XX

**Report on Compliance for the Major Federal Program;  
Report on Internal Control over Compliance; and Report  
on Schedule of Expenditures of Federal Awards Required  
by the Uniform Guidance**

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Example, State  
Example, State

**Report on Compliance for the Major Federal Program**

We have audited the City of Example, State's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 20XX. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Major Federal Program***

In our opinion, the City of Example, State, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 20XX.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



## Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November XX, 20XX, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oklahoma City, Oklahoma  
November XX, 20XX

SAMPLE

# PROPOSER GUARANTEES

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APPENDIX B

PROPOSER GUARANTEES

- I. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official:	<u>S. Joel Haaser</u>
Name (typed):	<u>S. Joel Haaser, CPA</u>
Title:	<u>Managing Director</u>
Firm:	<u>BKD, LLP</u>
Date:	<u>April 2, 2018</u>

# PROPOSER WARRANTIES

## APPENDIX C

### PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Oklahoma laws with respect to foreign (non-state of Oklahoma) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Norman.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: S. Joel Haaser  
Name (typed): S. Joel Haaser, CPA  
Title: Managing Director  
Firm: BKD, LLP  
Date: April 2, 2018

## UNMATCHED CLIENT SERVICE



WHAT DO YOU VALUE MOST IN YOUR CPA OR ADVISOR? // Ethics? Intelligence? Sound advice? Consistent results? You deserve deep industry knowledge delivered with a highly interactive and attentive style. That's why we penned our service standards in a book, **The BKD Experience: Unmatched Client Service**. Experience what our unmatched client service can mean for you.



### INTEGRITY FIRST

- Be honest and truthful
- Protect privacy and respect rights

Experience how our trustworthiness, our commitment to protect your privacy and confidentiality and our unwavering ethical standards can benefit your business. For more than 90 years BKD has been doing what's right and advising our clients accordingly.

### TRUE EXPERTISE

- Commit to lifelong learning
- Learn to listen so you can listen to learn

Experience how our business savvy, credentials and experience can help you meet your goals. You can count on BKD to provide a broad base of skills and knowledge to evaluate, advise and deliver solutions for you.

### PROFESSIONAL DEMEANOR

- Practice exemplary work habits
- Choose your attitude

Experience how our attitude, character, communication skills, appearance and behaviors can inspire confidence and respect.

### RESPONSIVE RELIABILITY

- Under promise, over deliver
- There's no penalty for early delivery

Experience how our consistent delivery of results, ability to handle difficult tasks and knowledge of your business affairs can help your business management.

### PRINCIPLED INNOVATION

- Connect client needs with resources
- Initiate solutions

Experience how our creativity, valuable advice and sound practices can bring ideas and alternative approaches to your business. You can count on BKD to be proactive and resourceful, even when it appears there are no immediate solutions.

## COMMITMENT TO PROFESSIONAL DEVELOPMENT

BKD is committed to creating rewarding careers and equipping our professionals with the tools they need to serve our clients. We take professional growth and development seriously and offer numerous programs and training so we are prepared to help meet your professional services needs.



### AWARD-WINNING TRAINING

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. BKD has earned the distinction of **Training** magazine's Training Top 125 for the past four years. In 2016 and 2014, BKD also earned the **Chief Learning Officer** magazine's LearningElite award.



### PROGRESSIVE PROGRAMS & INITIATIVES

BKD is dedicated to creating and implementing programs and initiatives to help our professionals achieve their full potential. Programs include SKY, a firmwide initiative to emphasize and strengthen diversity in our firm. SKY focuses on recruiting, retaining and developing women for the sustainable growth of BKD. Through the collaboration of men and women, BKD aims to foster a culture that recognizes and supports maximizing the potential of all.



### REWARDING CAREERS

As part of a recent employee engagement survey, BKD employees ranked us within the 90th percentile of professional services companies, indicating they find BKD to be an exemplary platform from which to serve clients.

## BKD PRIDE VALUES

WHAT'S IMPORTANT TO YOU? // A commitment to excellence? Independence and objectivity? A broad skill set? Exceeding expectations? At BKD, these are all essential. That's why every day you can see our partners and employees "living the PRIDE." These values—passion, respect, integrity, discipline and excellence—are the hallmarks of BKD and guide us as we provide solutions for your business and financial needs. Experience what BKD PRIDE values can mean for you.



P

### PASSION

- For service to others
- For making tomorrow better than today

Experience how our dedication and enthusiasm for making tomorrow better than today can help you make informed decisions to help improve business and financial outcomes.

R

### RESPECT

- For the differences that make our team strong
- For our legacy and the benefits of change

Experience how our respect for diversity can provide a variety of skills and talents to meet your needs. Respecting the lessons of our legacy and yours, we can help you capitalize on the opportunities change inevitably offers.

I

### INTEGRITY

- To do the right thing
- To be objective and independent

Experience how our integrity and objectivity can help you make smart business decisions. You want an advisor to tell you what you need to know, not just what you want to hear.

D

### DISCIPLINE

- In process and innovation
- To balance professional and personal commitments

Experience how our well-established protocols and low-risk approaches can help resolve issues and advance your goals.

E

### EXCELLENCE

- In skills and competencies
- In our quest to be the best

Experience how our ambition, knowledge, commitment to lifelong learning and drive to improve technical and analytical skills can work to consistently surpass your expectations.



# BKD

## BKD THOUGHTWARE

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BKD's expertise spans a wide variety of industries and subjects, and our professionals share their knowledge in print, online and in person to help advance your organization. Use the QR code below to sign up for **BKD Thoughtware®** emails.



// articles



// emails



// presentations



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// webinars



**BKD**<sup>LLP</sup>  
CPAs & Advisors

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