

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



## Request for Proposals for Professional Auditing Services RFP# 1213-69

Submitted by: **BKD, LLP**  
Don Williams, CPA  
Partner

Two Leadership Square South Tower  
211 North Robinson Avenue  
Suite 600  
Oklahoma, City, OK 73102  
405.606.2580

Date of Proposal: March 21, 2013

City of Norman, Oklahoma

**MASTER**

March 21, 2013

Mr. Anthony Francisco  
Director of Finance  
City of Norman  
201 West Gray Street  
Building C  
Box 370  
Norman, OK 73079

Dear Mr. Francisco:

**BKD, LLP** appreciates the opportunity to perform audit services for the City of Norman, Oklahoma (the City) and is committed to delivering the requested services within the time requirements set by the City. Our goal is to help provide accountability, transparency and comfort to your elected officials, citizens of the City, lenders, federal funding agencies and other financial statement users. We believe BKD is well positioned to meet your business needs.

As a top-tier CPA and advisory firm, we believe BKD is the right choice to perform your requested audit services. Our client-centered focus brings the personal attention you desire with the local and national level of governmental expertise and resources to satisfy your audit needs. We have the resources and experience of a national firm and the accessibility of attentive, local advisors in our Oklahoma offices. Our team is dedicated to providing a collaborative service approach to help you proactively address issues as they arise and evaluate the effect of new standards to help avoid unwanted surprises and unexpected fees.


The City can benefit from BKD's experience working with numerous cities and municipalities nationwide, including other cities in Oklahoma. BKD also has prior experience serving the City. Joel Haaser, the proposed manager assigned to the City, has previously served the City and now resides in Oklahoma. We believe his prior understanding of the City's operations, as well as experience serving other cities and large state and local government entities in Oklahoma, will allow for a smooth transition.

As indicated above, we do appreciate this opportunity to serve the City. This proposal is a firm and irrevocable offer for 90 days. We will call you soon to answer questions you may have about this proposal, or you may reach us at the contact information below.

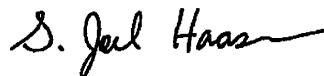
Sincerely,



Todd J. Lisle, CPA, ABV, CIA®  
Managing Partner  
405.842.7977  
[tlisle@bkd.com](mailto:tlisle@bkd.com)



Donald A. Williams, CPA  
Partner  
918.584.2900  
[dawilliams@bkd.com](mailto:dawilliams@bkd.com)



S. Joel Haaser, CPA  
Manager  
918.584.2900  
[jhaaser@bkd.com](mailto:jhaaser@bkd.com)

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*Our acceptance of this engagement is subject to completion of our normal client acceptance procedures. Upon acceptance, the actual terms of our engagement will be documented in a separate letter to be signed by you and us. All information contained within this proposal is proprietary and confidential. All statistics, numbers and representative clients presented in this proposal are as of May 31, 2012. © 2013*



# Executive Summary

Governmental entities have a fiduciary duty to remain financially accountable to the public and their constituents. At the City of Norman, (the City) this responsibility is further affected by the fact that many revenue sources are legally committed to specific activities. Therefore, the City understands this obligation and strives to provide meaningful financial statements that help demonstrate your compliance, transparency and ability to provide cost-effective services that meet the needs of the public. While working to achieve this, you face the daily challenge of managing resources while demonstrating your effectiveness at providing these services. You need objective, independent advice from a CPA and advisory firm you can trust. We believe **BKD, LLP** can help.

## Our Understanding of Issues the City Faces

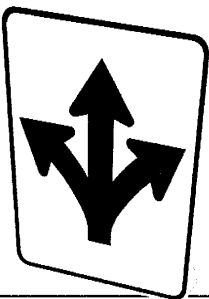
As a dynamic municipality, the City's financial results are exposed to significant scrutiny from elected officials, bond investors, granting agencies and the public. Many government entities nationwide are facing increasingly difficult reporting requirements due to changing accounting rules and regulations that are becoming more complex. Accurate financial reporting and proper financial position presentation is imperative. We understand demonstrating efficient management of the city budget and compliant use of resources is critical to maintaining the confidence of your constituents and the quality of your services.

Our work with more than 400 government entities across the country, including approximately 150 cities and municipalities, can provide the City insight into these and other issues similar entities face.

## The City's Desired Outcomes

The City seeks a competitive bid from a reputable CPA and advisory firm knowledgeable in complex accounting and regulatory requirements for municipalities to help you maintain financial transparency and taxpayer confidence. To help achieve this, you also want:

- ▲ A firm with a depth of knowledge and experience performing audits for similar cities, municipalities and similar governmental organizations
- ▲ An advisor that understands the operations of the City and your specific financial reporting requirements
- ▲ Professionals committed to your deadlines
- ▲ A fresh perspective to help improve your financial reporting procedures and enhance your internal controls
- ▲ Assistance in maintaining the Government Finance Officers Association (GFOA) Certificate for Excellence in Financial Reporting
- ▲ Proactive communication from attentive advisors throughout the year to help keep you informed of industry changes and trends
- ▲ Assistance implementing new accounting standards



400+

**Experience guidance** with a national firm that works with more than 400 government entities.

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BKD can help the City **experience guidance** through our governmental expertise and deep understanding of standards issued by Governmental Accounting Standards Board (GASB) reporting requirements. We are dedicated to providing collaborative and timely audit services you require with the exceptional client service and personal attention you deserve.

## **Solutions for the City**

The City has requested information and a fee quote for the following:

- ▲ Financial Statement Audit & Compliance Audit of the City in Accordance with *Government Auditing Standards* & OMB Circular A-133, including Comprehensive Annual Financial Report Review & Preparation Assistance for the Year Ending June 30, 2013, with the Option for Four Additional Years
- ▲ Separate Audit of the Norman Tax Increment Finance Authority in Accordance with *Government Auditing Standards* for the Year Ending June 30, 2013, with the Option for Four Additional Years, as Needed
- ▲ Assistance in the Compilation of the City's Annual Survey of City & Town Finances as Prescribed by the Office of the State Auditor
- ▲ Additional Technical Assistance, as Needed by the City During the Year

Our experience and approach to the audit process are designed to deliver additional value and timely advice. Your proposed engagement team knows municipalities are unique entities requiring an understanding of a number of accounting and reporting nuances. We have the expertise to help you navigate through the complex operating and compliance environments you face.

In addition, we believe open communication is crucial to a strong working relationship with the City. BKD will communicate proactively with you on changes in standards, laws and regulations and provide you with a flexible and efficient audit process. Our team will look beyond your numbers to bring proactive solutions to the challenges the City faces.

Please see the Specific Audit Approach section, starting on page 18 of this proposal for a detailed explanation of our audit service approach.

## **BKD Is the Right Choice**

As previously described in the transmittal letter, we believe BKD is the right choice to provide the City with audit services because, in addition to quality services, we can provide:

- ▲ National government expertise
- ▲ Significant OMB Circular A-133 experience
- ▲ Timely services to help apply for and maintain your GFOA certificate
- ▲ Assistance maintaining citizen confidence through accountability of funds
- ▲ Proactive planning
- ▲ Thought leadership
- ▲ Unmatched client service

After reviewing our proposal, we are confident you will find BKD is well qualified to provide professional services to the City. Beyond providing these services, we believe you will find BKD is the trusted advisor you can depend on to provide value for years to come.

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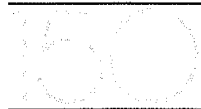
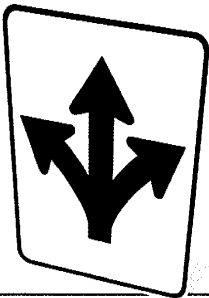
# Why Choose BKD

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## BKD Delivers Value

It is more important than ever to monitor expenditures and get exceptional value for your investments. However, informed consumers understand value is about more than just price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect BKD's work to be accurate and insightful. We stand behind it. Our Public Company Accounting Oversight Board (PCAOB) inspections and American Institute of Certified Public Accountants (AICPA) peer reviews demonstrate the firm's record of excellence.

As evidenced by our inclusion in **INSIDE Public Accounting's** 2011 and 2012 Best of the Best Firms lists, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help the City meet your goals. At the same time, we pride ourselves on hard work and low overhead, which keep our fees competitive. With our reputation, size, service and experience, you can consider us a good value.



**Experience guidance** with a national firm that works with approximately 150 cities and municipalities.

## National Government Expertise

BKD National Governmental Group works with more than 400 government clients, including approximately 150 cities and municipalities, nationwide. We can leverage best practices learned from working with other government entities to help the City identify areas that may require attention, help increase operational efficiencies and **experience guidance**.

In addition, our commitment to governmental entities includes being a leader in national and state associations, as well as in the development of governmental accounting and auditing standards. Our experience also has enabled us to establish connections with:

- ▲ Governmental Accounting Standards Board
- ▲ Office of Management and Budget
- ▲ U.S. Government Accountability Office
- ▲ AICPA Governmental Audit Quality Center, as a member

Our industry experience and our involvement with national and state trade associations means we have the expertise needed to help the City with fiscal accountability, resource management, performance measurement, budgeting and debt administration.



## **Significant OMB Circular A-133 Experience**

At least one-third of our government and not-for-profit clients receive federal funding. We use audit programs and checklists designed specifically for the federal programs we audit. Our firm maintains a database of audit programs specifically tailored to the grants and other federal programs commonly found in government agencies. Our extensive experience providing compliance testing in accordance with OMB Circular A-133 can help properly perform and submit the City's Single Audit timely.

## **Timely Services to Help Apply for & Maintain Your GFOA Certificate**

We understand the City intends to issue a comprehensive annual financial report (CAFR) and apply for GFOA Certificate of Achievement for Excellence in Financial Reporting. We have several BKD professionals who serve on the GFOA's Special Review Committee, so we understand the process. We will work with you to help resolve identified discrepancies and to reduce exceptions.

Your residents count on you to act as stewards of their valuable resources. As you know, GFOA certification helps to increase the visibility and credibility of programs the City implements. Timely and accurate services are key to increasing confidence in the management of funds.

## **Assistance Maintaining Citizen Confidence Through Accountability of Funds**

Governmental entities have a fiduciary duty to be financially accountable to its elected officials, constituents and the public. Timely and accurate audited financial statements are key to demonstrating your transparency and stewardship of funds. With BKD, you get a reputable, top-tier firm able to leverage best practices learned from working with other similar city governments to help you increase efficiencies and identify areas that may require attention.

## **Proactive Planning**

One of the first things you will notice about BKD is our industry professionals are in communication with you or in your offices frequently. We pay careful attention to the challenges you face to offer timely, proactive advice resulting in a better client relationship. This knowledge sharing between your team and ours can be beneficial in identifying effective and proactive solutions.

## **Thought Leadership**

BKD advisors are serious about reinforcing and strengthening their positions as thought leaders in the industries they serve. To keep you informed about emerging issues in the accounting industry, we frequently provide special webinars, alerts, updates, seminars and articles—many of which are eligible for continuing professional education (CPE) credit.



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Recent topics include:

- ▲ GASB 61: The Financial Reporting Entity Omnibus
- ▲ GASB Significantly Changes Pension Accounting & Reporting
- ▲ GASB Issues Statement No. 63

The first topic above is a webinar. This video can be viewed from our website, **bkd.com**. For the last two topics, these Industry Insight Articles can be viewed in the Appendix.

## Unmatched Client Service

You want trusted advisors who will deliver exceptional client service, focus on your needs and take the time to address your unique challenges. BKD understands. We take our commitment so seriously we have penned our five standards of unmatched client service and supporting guidelines in **The BKD Experience: Unmatched Client Service**, a book that sets the firm's expectations for serving clients. Our five standards are:

### Integrity First

We work hard to do what is right for you. You can rely on us to tell you what you need to hear.

### True Expertise

From BKD, you can expect trained, capable staff and a high level of supervision by partners and experienced personnel.

### Professional Demeanor

You can depend on prepared and attentive advisors to help meet your needs and provide new ideas.

### Responsive Reliability

Accurate and thorough work, combined with timely delivery, is what you require, and at BKD, we would not want it any other way.

### Principled Innovation

We want you to succeed. For the City, that means looking for new ideas to streamline a process, to better document work, to train your own staff and to improve your effectiveness.



*"The City of Fayetteville's BKD auditors are a very experienced and knowledgeable group of individuals. Complementing these qualities is the fact that they are always accessible and helpful when I have questions. I would highly recommend BKD to anyone in need of auditors with expertise in the governmental arena."*

Marsha Hertweck, Accounting  
Manager  
City of Fayetteville  
Fayetteville, Arkansas

## VI.B. Technical Proposal

For your convenience, we have structured our proposal according to the questions in your Request for Proposal (RFP). We believe our proposal will demonstrate our qualifications to serve the City.

### 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 as defined by the Code of Professional Conduct of the 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 not had any professional relationship with the City or any of its agencies within the last five years. BKD did provide audit services to the City from 2005 to 2007. No relationship exists that would constitute a conflict of interest relative to performing the proposed audit.

*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 agrees to give written notice to the City if any professional relationships between BKD and the City are entered into during the contract period.

### 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.*

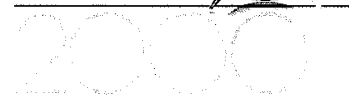
BKD is properly licensed to practice public accounting in the state of Oklahoma. All key professional staff that would be assigned to your engagement are properly registered/licensed to practice in the state of Oklahoma or able to practice in the state of Oklahoma due to new mobility laws, without the requirement to obtain an individual Oklahoma license.

### 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.*

#### Size of Firm

BKD is one of the largest national CPA and advisory firms in the United States. Our approximately 2,000 CPAs, advisors and dedicated staff serve clients in all 50 states and internationally. Geographically spread throughout the continental United States, our large client base reflects the diversity of the government industry, both in size and type of organization.



Work face to face with one of approximately 2,000 professionals, and experience round-the-clock commitment to ideas that help you improve performance.

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## Size of Governmental Audit Staff

Staff at BKD includes approximately 130 professionals who dedicate more than 50 percent of their billable hours providing audit services to government, not-for-profit and higher education clients.

## Local Offices

The City's engagement would primarily be served from our Oklahoma City and Tulsa, Oklahoma, offices, located at:

### **BKD, LLP**

Leadership Square South Tower  
211 North Robinson Avenue  
Suite 600  
Oklahoma City, OK 73102

### **BKD, LLP**

Two Warren Place  
6120 South Yale, Avenue  
Suite 1400  
Tulsa, OK 74136

## Number of Staff to Be Employed on a Full-Time & Part-Time Basis

We expect four to five professionals will be used on a full-time basis and a concurring reviewer will be used on a part-time basis to perform the City's audit. The Partner, Supervisory & Staff Qualifications & Experience section outlines the experience and qualifications of the engagement team assigned to the City.

*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.*

We do not anticipate employing any other firm, affiliate or association member in completing the work for the City. We believe BKD possesses both the depth and breadth of experience to serve the City, as demonstrated throughout this proposal.

*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. In all such reviews during the past three years, the reviews have shown our work to be 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.*

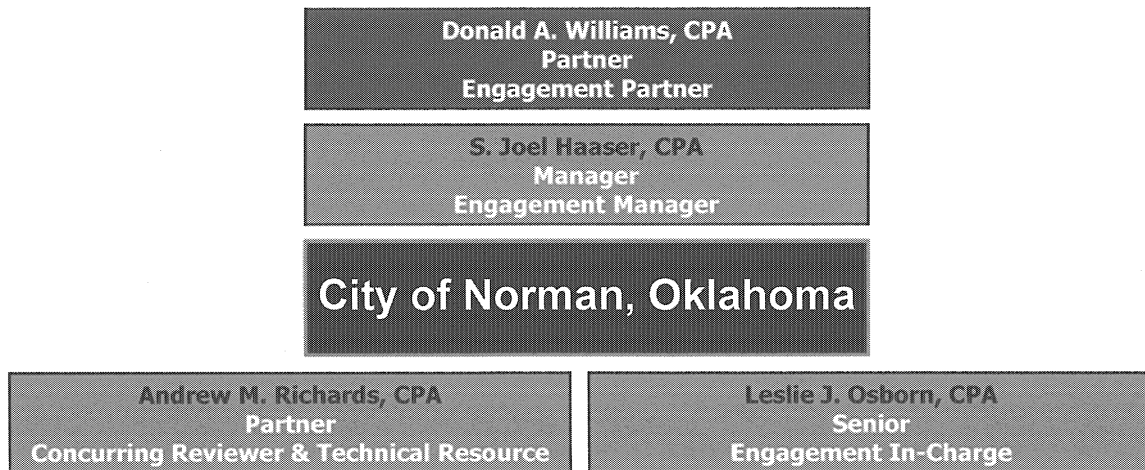
There have been no disciplinary actions taken against BKD by state regulatory bodies or professional organizations in the last three years and there are none pending.

## 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.*

The most critical factor in providing you high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs. All key professional staff have a license to practice in the state of Oklahoma or are able to practice in the state of Oklahoma due to mobility laws.

### Engagement Team Organizational Chart



### Engagement Team Experience



#### **Donald A. Williams, CPA** **Partner**

Don has more than 37 years of professional experience in public accounting. Before joining BKD, he was a director in a large international firm in Oklahoma. He is actively involved in the firm's governmental and financial services industry practices and leads the BKD Oklahoma Government and Not-For-Profit practice. Don's client service focus is audit, internal audit and consulting.

He has experience providing services to numerous state and local government organizations in Oklahoma, including the City of Norman, The University of Oklahoma, the City of Oklahoma City, the City of Tulsa, the Cherokee Nation, the Choctaw Nation, the Citizen Potawatomi Nation and many others. Don is a member of the American Institute of Certified Public Accountants and Oklahoma Society of CPAs. He also currently serves on the Oklahoma Society's Government Accounting and Auditing Committee.

He is a 1975 graduate of the Anderson School of Management at The University of New Mexico, Albuquerque, with a B.B.A. degree in accounting.

**Donald A. Williams, CPA**

<b>Date</b>	<b>CPE Course Completed</b>	<b>Hours</b>
01/06/2012	Webinar - Employee Benefit Plan Audits: Planning for Audits and Update (INTERNAL)	2.0
02/02/2012	(Webinar) GASB Proposed Changes to Pension Reporting (EXTERNAL)	1.0
05/04/2012	OSCPA Governmental Accounting & Auditing Conference	16.0
06/18/2012	Related Party Disclosures	1.5
06/22/2012	BKD Industry Conference - Not-for-Profit & Government	5.5
06/22/2012	Industry Conference - Ethics	1.0
07/17/2012	Accounting Estimates – (Ethics) Where Fraud May Be Hiding (Internal Webinar)	1.0
08/16/2012	BKD City of Oklahoma City CPE (Live Seminar)	5.0
09/06/2012	STAR Time and Expense Entry	1.0
09/27/2012	STAR Biller Workshop	4.0
10/12/2012	2012 Clarity/Audit Methodology Training	16.5
10/17/2012	BKD-OGW Opening General Session (including Ethics First)	3.5
10/17/2012	BKD-OGW Partner/Director/Ambassador Program	1.5
10/18/2012	BKD-OGW Audit - Not-for-Profit & Government	8.5
10/19/2012	BKD-OGW A&A Update	4.0
10/19/2012	BKD-OGW Closing General Session	1.0
01/24/2011	PPEA for Independent Reviewers	2.0
05/06/2011	OSCPA Governmental Accounting & Auditing Conference	16.0
05/16/2011	Webinar - Mid-Year A&A Update for Health Care, Governmental and Not-for-Profit Auditors INTERNAL	1.0
05/25/2011	Government Finance Officers Association 105th Annual Conference	10.0
06/23/2011	Webinar: Evaluating, Reporting & Documenting Potential Deficiencies (INTERNAL)	1.0
09/28/2011	BKD-OGW A&A Update	8.0
09/29/2011	BKD-OGW Audit - Not-for-Profit & Government	4.0
09/29/2011	BKD-OGW Audit - Not-for-Profit/Government & Health Care	4.0
09/30/2011	BKD-OGW Partner, Director & Manager Leadership Conference	1.0
10/01/2011	BKD-OGW Partner & Director Business Meeting	1.0
11/11/2011	Webinar - Fall 2011 Single Audit Update (INTERNAL)	2.0
04/26/2010	Single Audit Training	4.0
05/6/2010	OSCPA Governmental Accounting & Auditing Conference	16.0
05/27/2010	Webcast - Audits of Employee Benefit Plans - Technical Update	2.5
07/30/2010	Webcast - Mid-year A&A Update for NPG and HC	3.0
09/17/2010	Webcast - BKD Audit Form and Policy Update - Fall 2010	2.5
11/03/2010	BKD-OGW A&A Update	8.0
11/04/2010	BKD-Audit - Not-for-Profit & Government	4.5
11/04/2010	BKD-OGW Audit - Not-for-Profit/Government & Health Care	3.0
11/05/2010	BKD-OGW Not-for-Profit & Government	2.0
11/06/2010	BKD-OGW Partner & Director Leadership Conference	4.0
11/12/2010	BKD-Planning and Performing Efficient Audits - Government/Not For Profit - South	16.0



**S. Joel Haaser, CPA**  
**Manager**

Joel has more than 12 years of experience providing audit services to governmental entities, primarily municipalities, including component units and not-for-profit organizations. His primary responsibilities are to manage and oversee all operations of the audit, including the OMB Circular A-133 Single Audits. Joel has significant experience auditing a variety of single-audit major programs, including the Community Development Block Grant, HOME Investment Partnerships Program, Transit Authorities, Homeland Security and Department of Justice programs and Department of Health and Human Services programs. In addition, he has extensive experience supervising other not-for-profit and governmental compliance audits and

numerous types of agreed-upon procedures required by state and federal agencies.

Joel is a member of the Government Finance Officers Association (GFOA) Special Review Committee (SRC) for the Association's Certificate of Achievement for Excellence in Financial Reporting (CAFR) program. As a member of the Committee, he has the responsibility for reviewing and evaluating CAFRs that are submitted by the Association's members for being awarded the prestigious certificate. He is a presenter and speaker for continuing professional education (CPE) audiences and has published firm sponsored articles on a variety of not-for-profit and government accounting and auditing topics.

Joel's governmental audit experience includes serving a key role in the audits of the cities of Norman, Oklahoma, Oklahoma City, Oklahoma; Fort Smith, Fayetteville and Bentonville, Arkansas; Kansas City, Missouri, Stillwater, Oklahoma and El Paso and Lubbock, Texas. In addition, He serves in key roles for other governmental entity audits, such as the Cherokee Nation, Citizen Potawatomi Nation and Choctaw Nation of Oklahoma.

Joel's continuing professional education includes extensive training in various accounting and auditing technical areas, including governmental accounting and auditing issues, OMB Circular A-133 and ethics. He has met the CPE requirements established by the *Government Auditing Standards*. His professional memberships include the American Institute of Certified Public Accountants, Oklahoma Society of CPAs and Arkansas Society of Certified Public Accountants. He is licensed in the states of Oklahoma, Texas and Arkansas.

Joel S. Haaser, CPA		
Date	CPE Course Completed	Hours
01/06/2012	Webinar - Employee Benefit Plan Audits: Planning for Audits and Update (INTERNAL)	2.0
02/02/2012	(Webinar) GASB Proposed Changes to Pension Reporting (EXTERNAL)	1.0
03/15/2012	The Attorney/CPA Working Relationship	1.0
05/04/2012	OSCPA-Governmental Accounting & Auditing Conference	16.0
05/24/2012	Annual Employee Benefit Plan Audit Update from AICPA Conference (internal webinar)	2.0
06/18/2012	Related Party Disclosures	1.5
06/22/2012	Industry Conference - Not-for-Profit & Government	5.5
06/22/2012	Industry Conference - Ethics	1.0
07/26/2012	Texas Ethics	4.0
08/16/2012	BKD City of Oklahoma City CPE (Live Seminar)	3.0
08/23/2012	STAR Time and Expense Entry	1.0
09/27/2012	STAR Biller Workshop	4.0
10/17/2012	BKD-OGW Opening General Session (including Ethics First)	3.5
10/18/2012	BKD-OGW Audit - Not-for-Profit & Government	8.5
10/19/2012	BKD-OGW A&A Update	4.0

10/19/2012	BKD-OGW Closing General Session	1.0
10/30/2012	BKD-2012 Clarity/Audit Methodology Training	16.5
12/14/2012	Revised GAO Independence Rules (Internal Webinars)	1.0
12/21/2012	Inventory Observation Guidance	1.0
04/22/2011	Webinar - Lessons Learned on Revised Single Audit Approach	2.0
05/16/2011	Webinar - Mid-Year A&A Update for Health Care, Governmental and Not-for-Profit Auditors INTERNAL	1.0
06/02/2011	BKD-New Manager Orientation	6.5
07/13/2011	Employee Benefit Plans I: Accounting Principles	8.0
07/25/2011	Arkansas Ethics	4.0
08/02/2011	Professional Ethics: The AICPA's Comprehensive Course	8.0
08/24/2011	Webinar - Implementing the New Governmental Fund Balance Reporting Standards EXTERNAL	1.0
09/28/2011	BKD-OGW A&A Update	8.0
09/29/2011	BKD-OGW Tax - Not-For-Profit & Government & Health Care	3.5
09/29/2011	BKD-OGW Audit - Not-for-Profit & Government	5.0
09/30/2011	BKD-OGW Partner, Director & Manager Leadership Conference	1.0
09/30/2011	BKD-OGW Not-for-Profit & Government	1.0
11/11/2011	Webinar - Fall 2011 Single Audit Update (INTERNAL)	2.0
11/18/2011	Local Office A&A Update	1.5
04/02/2010	Texas Ethics	4.0
05/10/2010	Single Audit Training	4.0
07/30/2010	Webcast - Mid-year A&A Update for NPG and HC	3.0
09/08/2010	Webcast - FDIC Independence Rules	2.0
10/29/2010	Webcast - BKD Audit Form and Policy Update - Fall 2010	2.5
11/03/2010	BKD-OGW A&A Update	8.0
11/04/2010	BKD-OGW Audit - Not-for-Profit & Government	4.5
11/04/2010	BKD-OGW Audit - Not-for-Profit/Government & Health Care	3.0
11/05/2010	BKD-OGW Not-for-Profit & Government	2.0
11/12/2010	BKD-Planning and Performing Efficient Audits - Government/Not For Profit - South	16.0



**Andrew M. Richards, CPA**  
**Partner**

Andy is a member of BKD National Governmental Group. With more than 15 years of experience at BKD, he provides audit and advisory services to not-for-profit and governmental entities. He also assists the BKD National Office in providing technical support to BKD auditors, developing firm guidance on governmental accounting standards, reviewing governmental audit engagements, developing professional education on government-related topics and performing internal office inspections.

From December 2007 through January 2010, Andy participated in the governmental accounting standards-setting process as a Practice Fellow with the Governmental Accounting Standards Board (GASB) in Norwalk, Connecticut. During that time, he acted as a GASB project manager working on the Codification of Pre-November 30, 1989, Financial Accounting Standards Board Pronouncements project, GASB Statement No. 14, *The Financial Reporting Entity*, Reexamination project, as well as the GASB Comprehensive Implementation Guide update. He also assisted the GASB technical research staff in responding to technical inquiries submitted by their constituency and performed several speaking engagements on behalf of GASB. He is currently a member of the GASB Comprehensive Implementation Guide Advisory Committee.

Andy is a member of the American Institute of Certified Public Accountants, where he serves on the State and Local Government Expert Panel, and Arkansas Society of Certified Public Accountants. He serves



on the board of directors of Arkansas Literacy Councils, Inc. and has served as a local board member of the BKD Foundation.

Andy is a 1996 graduate of the University of Arkansas, Fayetteville, with a B.S. degree in business administration and accounting.

<b>Andrew M. Richards, CPA</b>		
<b>Date</b>	<b>CPE Course Completed</b>	<b>Hours</b>
01/05/2012	Webinar - Identifying Risk Language in Agreed-Upon Procedures Engagements (INTERNAL)	1.0
01/26/2012	Webinar - Risk Management and Cloud Security: Setting and Enforcing Policy (EXTERNAL)	1.0
06/22/2012	Industry Conference - Not-for-Profit & Government	3.5
06/22/2012	Industry Conference - Ethics	1.0
07/17/2012	Accounting Estimates – (Ethics) Where Fraud May Be Hiding (Internal Webinar)	1.0
08/08/2012	Colorado BKD Governmental Seminar	6.5
09/07/2012	STAR Time and Expense Entry	1.0
10/02/2012	2012 Clarity/Audit Methodology Training	16.5
10/08/2012	STAR Biller Workshop	4.0
10/09/2012	Financial Statement Fraud Detection (Ethics) (Internal Webinar)	1.0
10/12/2012	Related Party Disclosures	1.5
10/17/2012	OGW Partner/Director/Ambassador Program	1.5
10/17/2012	OGW Opening General Session (including Ethics First)	3.5
10/18/2012	OGW Audit - Not-for-Profit & Government	8.0
10/19/2012	OGW Closing General Session	1.0
10/19/2012	OGW A&A Update	4.0
11/28/2012	Impact of the Affordable Care Act (Internal Webinar)	1.5
12/14/2012	Revised GAO Independence Rules (Internal Webinars)	1.0
01/18/2011	PPEA Independent Review	2.0
06/02/2011	Webinar - Mid-Year A&A Update for Health Care, Governmental and Not-for-Profit Auditors (Re-Broadcast)	1.0
09/28/2011	OGW A&A Update	8.0
09/29/2011	OGW Audit - Not-for-Profit & Government	2.5
09/29/2011	OGW Audit - Not-for-Profit/Government & Health Care	4.0
09/30/2011	OGW Partner, Director & Manager Leadership Conference	1.0
09/30/2011	OGW Not-for-Profit & Government	1.0
11/11/2011	Webinar - Fall 2011 Single Audit Update (INTERNAL)	2.0
12/12/2011	Webinar - 2011 HUD Year-End Update (INTERNAL)	1.0
12/15/2011	Arkansas Ethics	4.0
01/14/2010	The State of the States	1.5
05/10/2010	Single Audit Training	4.0
07/28/2010	BKD Governmental Seminar	9.0
07/30/2010	Webcast - Mid-year A&A Update for NPG and HC	3.0
09/02/2010	Employee Benefit Plans I: Accounting Principles	8.0
10/29/2010	Webcast - BKD Audit Form and Policy Update - Fall 2010	2.5
11/03/2010	OGW A&A Update	8.0
11/04/2010	OGW Audit - Not-for-Profit & Government	4.5
11/04/2010	OGW Audit - Not-for-Profit/Government & Health Care	3.0
11/05/2010	OGW Manager Leadership Conference	1.5
11/05/2010	OGW Not-for-Profit & Government	2.0
11/12/2010	Planning and Performing Efficient Audits - Government/Not For Profit - South	16.0





**Leslie J. Osborn, CPA**  
**Senior**

Leslie has experience providing audit and attestation services for governmental entities, not-for-profits and financial institutions. Her experience includes serving as an in-charge and staff accountant for governmental audits.

Her experience includes work on the City of Oklahoma City, Oklahoma City Airport, Oklahoma City Riverfront Redevelopment Authority, Oklahoma City Water Utilities Trust, the Choctaw Nation of Oklahoma, Choctaw Nation Housing Authority and others.

Leslie is a member of the Oklahoma Society of CPAs and is actively involved in the community through her participation in numerous charitable and civic organizations. She also is involved in recruiting and mentoring new staff.

She is a graduate of the University of Central Oklahoma, Edmond with a B.S. degree in accounting.

Leslie joined BKD in 2012. Her CPE course information is as follows:

Leslie J. Osborn, CPA		
Date	CPE Course Completed	Hours
01/13/2012	Office Camp BKD - Audit	10.5
01/20/2012	Field Camp BKD - Audit	41.0
03/07/2012	The Slippery Slope	1.0
06/11/2012	Fraud and the CPA	8.0
06/20/2012	Staff Training Level 1 - Basic Audit Methodology (1/2 of Jan '12) Group A	27.0
06/25/2012	Related Party Disclosures	1.5
07/17/2012	Accounting Estimates – (Ethics) Where Fraud May Be Hiding (Internal Webinar)	1.0
08/24/2012	STAR Time and Expense Entry	1.0
09/05/2012	2012 Clarity/Audit Methodology Training	16.5
10/09/2012	Financial Statement Fraud Detection (Ethics) (Internal Webinar)	1.0
10/10/2012	Building Ethical Muscle	1.0
12/06/2012	Staff Training Level 2 - Basic In-Charge Technical Skills (Jan '12 Class)	34.0

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

### **Continuing Professional Education**

Our audit staff members 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. These auditors must earn 24 hours of CPE every two years from courses that directly relate to government auditing or the government environment. Auditors performing work such as planning, directing or performing fieldwork or reporting on an audit engagement under Generally Accepted Government Auditing Standards (GAGAS) must earn an additional 56 hours of CPE every two years from courses that directly enhance the auditor's professional proficiency to perform audit engagements. BKD offers an internal, industry seminar for our in-charge level employees. This seminar includes auditing and accounting issues that are specific to governmental clients, including *Government Auditing Standards*, Single Audits under OMB Circular A-133 and accounting standards for government financial reporting. BKD professionals also receive considerable training from external sources.

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## Staffing Philosophy

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 staff 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 its obligations 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, 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.***

While we strive to maintain the same supervisory personnel throughout the engagement team, this is not always within our control. However, BKD understands the City retains the right to approve or reject replacements of partners, managers and other supervisory staff and specialists to the audit team. Any such team changes will be discussed with you prior to the change being made.

***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.***

BKD acknowledges the City retains the right to approve or reject the replacement of consultants and firm specialists. Any changes of partners, managers and other supervisory staff and specialists will be discussed with you prior to the change being made.

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

BKD acknowledges the City retains the right to approve or reject replacements. In the event that 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 partner, Don Williams, or engagement manager, Joel Haaser, will be coordinating personnel changes.

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 will provide a replacement that is qualified to complete your audit with limited interruption.

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## 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.*

BKD has not performed engagements for the City in the past five years. As previously discussed, BKD did perform audit services for the City from 2005 to 2007. Additional information on these services can be provided upon request.

## 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.*

### References

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, Oklahoma\***

Scope of Work: Audit and Single Audit

Dates: 2010 to 2012

Assigned Partners: Don Williams, Kevin Kemp and Andy Richards

Assigned Managers: Chad Moore, Joel Haaser, Mike Lyons and Cristy Jones

Total Hours: Approximately 5,500

Contact: Mr. Glen Earley, Controller

Phone: 405.297.2701

#### **City of Tulsa, Oklahoma\***

Scope of Work: Audit and Single Audit

Dates: 2005 to 2009

Assigned Partners: Chad Moore, Don Williams, Joe Smith and Kevin Kemp

Assigned Managers: Chad Moore, Jeff Ronsse

Total Hours: Approximately 4,500

Contact: Mr. David Bryant, Controller

Phone: 918.596.7232

#### **City of Fort Smith, Arkansas\***

Scope of Work: Audit and Single Audit

Date: 2004 to 2012

Assigned Partner: Andy Richards

Assigned Manager: Joel Haaser

Total Hours: Approximately 800

Contact: Ms. Kara Bushkuhl, Finance Director

Phone: 479.784.2286

#### **Cherokee Nation\***

Scope of Work: Audit and Single Audit

Date: 2006 to 2012

Assigned Partners: Don Williams and Kevin Kemp

Assigned Manager: Joel Haaser

Total Hours: Approximately 2,400

Contact: Ms. Lacey Horn, Treasurer

Phone: 918.207.3902

#### **Citizen Potawatomi Nation\***

Scope of Work: Audit and Single Audit

Date: 2008 to 2012

Assigned Partner: Don Williams

Assigned Managers: Joel Haaser, Cristy Jones

Total Hours: Approximately 1,000

Contact: Ms. Becky Cragin, Controller

Phone: 405.275.3121

*\* Recipient of the GFOA Certificate for Excellence in Financial Reporting*

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## Representative List of Clients

BKD is proud to work with municipalities, including:

City of Aurora, Colorado*	City of Lincoln, Nebraska*
City of Bellevue, Nebraska	City of Little Rock, Arkansas*
City of Bentonville, Arkansas	City of Lubbock, Texas*
City of Boulder, Colorado*	City of Nebraska City, Nebraska
City of Brookings, South Dakota	City of Poteau, Oklahoma
City & County of Denver, Colorado*	City of Ralston, Nebraska
City of El Paso, Texas*	City of Seward, Nebraska
City of Fayetteville, Arkansas*	City of Shreveport, Louisiana*
City of Indianapolis & Marion County, Indiana*	City of Springfield, Missouri*
City of Kansas City, Missouri*	City of Texarkana, Arkansas*
City of Kerrville, Texas*	City of The Colony, Texas*
City of Lancaster, Texas	City of Westminster, Colorado*

*\* Recipient of the GFOA Certificate of Excellence in Financial Reporting*

## Municipality Success Stories

- ▲ A large municipality with limited internal audit department resources wanted to perform franchise fee audits. The municipality selected BKD National Governmental Group to perform the agreed-upon procedures and report its findings to the city manager and city council. As a result of the initial engagement and subsequent audits, BKD helped identify approximately \$1.5 million in additional franchise fee revenue. In addition, a potential loophole in a franchise fee agreement, which has cost the city over \$300,000 in estimated revenue, was identified and brought to the city's attention.
- ▲ A mid-sized municipality that had recently hired a new director of finance wanted to issue its comprehensive annual financial report within six months of the year-end, which had not been accomplished in several years. The municipality selected BKD National Governmental Group, because of its expertise, local presence and commitment to provide unmatched client service, to issue the financial statements within their desired timeline. Despite getting a late start, being a new engagement and having several accounting issues, the deadline was met and management received much-deserved accolades from the city council. During the audit, BKD also identified several internal control issues and corresponding ideas for improvement, which the municipality is currently implementing.
- ▲ A small municipality that had been underserved wanted a fresh start from a CPA and advisory firm with industry expertise and breadth of talent. The municipality hired BKD National Governmental Group, which possessed all the attributes they desired. Although the first year of the engagement included restatements, audit adjustments, weaknesses in internal control and other accounting processes for the city, they were pleased with the level of attention they received from BKD and our willingness to help them understand the audit process, while delivering the audited financial statements more timely. The city was able to implement controls during the audit because of BKD's proactive and frequent communication.
- ▲ A municipality was facing significant personnel issues and no longer had the capacity to prepare its CAFR. BKD National Governmental Group was selected to assist in the drafting of the CAFR. As a result, the municipality was able to meet its original deadline of presenting the CAFR to the city council.

## 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* & OMB Circular A-133**

BKD's audit approach focuses on areas of high risk—the unique characteristics of the City'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 the government industry. You will not have to train our people on the issues that affect the government industry, such as bonded debt issues, net asset classification requirements, pension reporting, recognition of grant revenues and expenditures, nonexchange transactions, modified accrual accounting and numerous other technical issues that governments face.
- ▲ We provide a high level of partner and manager involvement so you receive the highest quality service with the least 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 are able to adapt quickly to any circumstances that arise.
- ▲ Communicating the results of our audit procedures and sharing ideas to help your accounting processes are an integral part 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 senior management team throughout the year. Continued communication means you will receive a more 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.

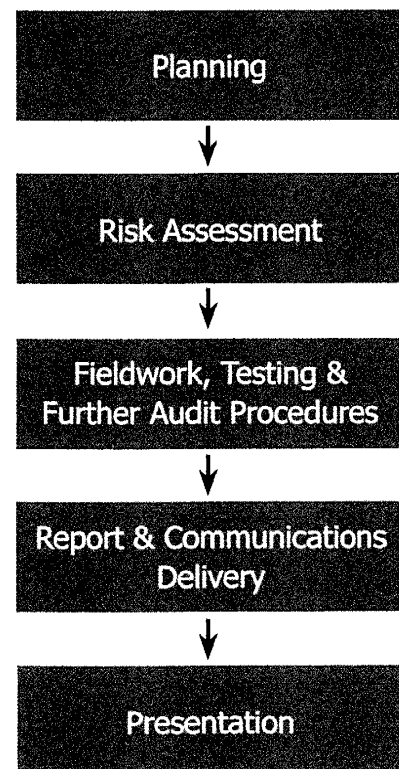
#### **Phase 1: Planning**

BKD will work closely with your City Council and senior management early during the audit, as required by auditing standards, giving the group an overview of the scope and timing. We ask that your City Council and senior management let us know about any risk issues, any areas they would like us to perform additional procedures or anything else material to the audit.

During the planning phases of the audit, we will:

- ▲ Review predecessor auditors' workpapers
- ▲ Meet with your senior management to examine changes that have occurred during the current year

#### **Our Five-Phase Approach to Financial Statement Audits**



- 
- ▲ Discuss expectations of the audit process and team members
  - ▲ Document and test internal controls using city provided manuals and programs for assistance
  - ▲ Perform a comparison of prior year audited financial statements with current year interim financial statements to gain an understanding of the current year's activities
  - ▲ Read City Council minutes and review the City's annual budget to understand events occurring during the year
  - ▲ Obtain permanent file information, such as organizational charts, bylaws, debt and lease agreements, net asset classification documentation, and pension plan documents
  - ▲ Review your preliminary schedule of expenditures of federal awards to determine major programs that will likely be tested under OMB Circular A-133
  - ▲ Design a timetable for the audit procedures that meets your reporting deadlines and is specifically tailored for your entity's accounting process and transactions

### **Materiality**

BKD has a defined methodology for government clients that does not simply consider the changes in net assets, but focuses on other metrics, such as total assets, total revenue or other meaningful metrics to scope our audit approach, to evaluate actual or potential errors and to develop audit samples. In addition, we will seek the input of your City Council and senior 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.

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 if internal controls have been implemented and assess the general controls around your information technology systems.
- ▲ Assess risk 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 the government industry, which expedite gathering your control information. Based on the documentation of your controls, we will test the key controls of the City.

We expect to interview your personnel and review prior City Council 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
- ▲ Test compliance with certain provisions of laws, regulations, contracts and grant agreements
- ▲ Hold a formal exit conference with management to share findings and preliminary deliverables

BKD also will perform some tests from these alternatives:

- ▲ Key item testing – 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. Samples are generally selected through the use of ACL software and monetary unit sampling techniques
- ▲ Analytical procedures – Taking a closer look at a grouping of information by examining it as it relates to other accounts, expectations, historical trends or other measures.
- ▲ Computer assisted auditing procedures (CAAP) – BKD uses ACL as one of the primary tools to apply CAAP. 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 discussed above, ACL is also used in selecting audit samples.

As needed, our firmwide industry partners 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 timely, 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 two weeks.

#### **Phase 5: Presentation to City Council**

You may want to formally share your audit results with your City Council or others. We can help make a presentation to your City Council or others as needed and answer their questions.

#### **Timing & Your BKD Team**

Overall, we plan to spend about four to five weeks in your office, approximately one week for interim/planning/gathering information to design our audit approach and three to four weeks for final fieldwork at year-end. We will coordinate the scheduling of your audit with you 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 staff members, who will be on site performing further audit procedures and gathering the information we need to support our opinion. In addition, Partner Don Williams and Manager Joel Haaser will lead your engagement team. They have significant experience in the government industry and prior experience with the City of Norman and will direct our staff's audit approach, review their work and communicate audit results.

### **Compliance Audit in Accordance with OMB Circular A-133**

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 in accordance with *Government Auditing Standards*, and second, a compliance audit for federal awards expended during the fiscal year.

### **Our OMB Circular A-133 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 resolve or avoid issues for our clients.

Entities subject to OMB Circular A-133 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 OMB Circular A-133 requirements are present.

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

#### ***a. Proposed segmentation of the engagement***

### **Audit Segmentation**

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

- ▲ Complete client acceptance procedures, including review of predecessor auditors' workpapers and making required inquiries of the predecessor auditors
- ▲ Complete risk assessment procedures in accordance with generally accepted auditing standards. Requirements under these standards require us to identify relevant assertions, obtain an understanding of the City and its control environment, assess the risks of material misstatement at the relevant assertion level, determine materiality and develop our audit procedures accordingly
- ▲ Conduct fraud interviews
- ▲ Provide communications to the City Council, prior to commencement of our final fieldwork
- ▲ Conduct audit procedures, including
  - Inspection of records or documents (the City minutes, approved budgets, invoices, payroll records, cash receipt and disbursement documents, purchase orders, contracts, agreements, grant documents, etc.)
  - Inspection of tangible assets
  - Observation of procedures performed by City personnel
  - Inquiry of those charged with governance and management
  - Confirmation of account balances
  - Recalculation of amounts



- Reperformance of procedures performed by the City personnel
- Performance of analytical procedures
- ▲ Perform walk-throughs of transactions
- ▲ Provide a comprehensive list to the City early in the planning process for information we will need to conduct our audit
- ▲ Evaluate compliance with critical laws and regulations, including obtaining legal representation letters
- ▲ Perform Single Audit testing
- ▲ Obtain representations from management as required by auditing standards
- ▲ Hold conferences with the City's personnel throughout the engagement process from the planning phase through the completion of the engagement so both BKD and the City are aware of potential audit issues so they can be addressed timely and accurately and also to verify critical due dates so deliverables are met
- ▲ Provide 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 verify all relevant facts as we understand them are accurate and management has sufficient time to provide responses
- ▲ Perform quality control review procedures

***b. Level of staff and number of hours to be assigned to each proposed segment of the engagement***

**Technical Work Plan**

Task/Event	Proposed Timing	Assigned Personnel	Work Hours
<b>Planning</b>			<b>50</b>
Review of prior auditor workpapers (initial year only)	May 2013	Williams/Haaser	
Delivery of internal control forms	June 2013	Haaser/Osborn	
Delivery of detailed audit plan & list of schedules to be prepared by the City	June 2013	Haaser/Osborn	
Pre-audit planning meeting/entrance conference with management	June 2013	Williams/Haaser/Osborn	
<b>Risk Assessment</b>			<b>80</b>
Pre-audit communication to those charged with governance	June or July 2013	Williams/Haaser	
Client completion of internal control questionnaires	June or July 2013	The City	
Planning & interim fieldwork	June or July 2013	Haaser/Osborn/ Staff	
Review & walk-through of internal controls, including IT	June or July 2013	Haaser/Osborn/IT Specialist	
Completion of planning forms including preliminary analytics, interviews with key management, confirmation work & review of board meeting minutes	June or July 2013	Haaser/Osborn/ Additional Staff	
Planning for Federal awards compliance audit based on receipt of Schedule of Federal Awards	July 2013	Haaser/Osborn	
Supervision & review	July 2013	Williams/Haaser	
Weekly progress reporting	Throughout Audit Process	Haaser/Osborn	

Task/Event	Proposed Timing	Assigned Personnel	Work Hours
<b>Fieldwork, Testing &amp; Further Audit Procedures</b>			<b>546</b>
Entrance conference with Chief Financial Officer, Controller & other staff at the City's option	October 2013	Williams/Haaser/Osborn	
Cash & investments Receivables Inventory Capital assets Other assets Payables & accruals Debt Pension obligations & OPEB liabilities Net assets Income & expenses Supervision & review Special compliance reports Single Audit Testing Weekly progress reporting	October/November 2013	Haaser/Osborn/ Additional Staff	
Exit conference with City Manager, Chief Financial Officer, Controller & other staff at the City's option	November 2013	Williams/Haaser/Osborn	
<b>Report &amp; Other Communications Delivery</b>			<b>40</b>
Delivery of drafts of the June 30, 2013, deliverables	On or Before November 20, 2013	Haaser	
Concurring reviewer independent final review	November 2013	Richards	
Delivery of final financial statements, management letters & other communications with those charged with governance	On or Before November 27, 2013	Williams/Haaser/Osborn	
Delivery of electronic copy of the June 30, 2013, audited financial statements	On or Before November 27, 2013	Williams/Haaser/Osborn	
<b>Presentation</b>			<b>4</b>
Presentation to City Council	November/December 2013	Williams/Haaser	
<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 determining sample sizes, we apply our professional judgment in determining 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 increases, 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 are very effective tools that allow us to efficiently test larger amounts of data. We also use various sampling techniques such as monetary unit sampling and attribute sampling (single audits) where appropriate.

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

BKD has found significant value and increased efficiency in the use of CAAT, including paperless audit software, an automated audit program system, a variety of electronic templates and ACL. ACL is a powerful product that allows us to import electronic information from clients in a variety of formats and perform sophisticated analyses and data extraction.

ACL is a worldwide industry leader in CAAT software. We have trained more than 300 professionals throughout our firm as software champions who can apply this special expertise on your audit, if appropriate. There are significant opportunities to use this software, which can provide useful information and help reduce audit costs.

***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 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.

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 and its related entities. This will include a multiphased approach as follows:

- ▲ We will ask the City's staff to complete various industry-specific questionnaires designed to summarize your control structure. Then we will scrutinize the changes in your current structure and determine 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's consideration.

- ▲ Once all key controls have been identified, 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 complete detailed duties grids specifically designed for governments 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 conflicts that have not been mitigated, we will summarize the conflict and resulting risk, report our findings to management and the City Council and help you design control changes that would remove the conflict in a cost-beneficial manner.
- ▲ We also will ask the City's staff to complete questionnaires specific to your information technology control structure. We will analyze the responses and determine 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 information technology system security controls, as well as determining the effectiveness of these controls and security measures.

***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 the City as to their 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 one that is judgmental in nature. The size and nature of the population being tested along with assessed risk of the associated financial statement line item impacted 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.*

### **Accounting or Reporting Issues**

While we do not anticipate any significant audit problems, we understand the importance of good channels of communication with key engagement team members to facilitate the discussion of any 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 responsiveness to any problems that may be encountered.

Should we identify specific audit, accounting or reporting issues during our engagement, our staff are instructed to immediately contact the partner or manager in charge of the audit so he or she may review the issues with your management. They then form an initial conclusion or plan of action. The concurring review partner will review the initial conclusion and express his or her opinion. Many times, this is the furthest the matter is required to go for approval. If the issue is not resolved, we consult with our local accounting and auditing director.

For certain high-risk or technically complex matters, the firm also requires consultation and approval by our quality control personnel in our National Office.

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## **Our Expectations of Your Staff**

In working with organizations similar to the City, we have developed an efficient approach that avoids wasted effort. We plan our work to facilitate client participation to help control costs, reduce unnecessary disruptions and meet deadlines.

The City plays a major role in timely completion of the audit. 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.

We will provide a list of the needed schedules 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 Formats**

*The proposal should include sample formats for required reports.*

The 2013 audit of the City of Norman and the Norman Tax Increment Finance Authority (the Authority) will be performed under the recently effective Clarity Standards issued by the AICPA. In 2013, the City and Authority will also be required to implement GASB 63, which will modify some of the financial statement report titles that have historically been used. BKD's report formats will be consistent with these new standards.

Please see the Appendix for Sample Reports.

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# Closing Comments

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We appreciate your time in reviewing our proposal. In closing, we would like to summarize a few points of information:

- ▲ BKD is excited about the opportunity to serve as auditors and advisors for the City and your related agencies. We would proudly claim the City as a client of our firm and serve you accordingly
- ▲ We believe we have a good understanding of the services you require and have prior experience with the City as well as significant experience with similarly sized organizations
- ▲ BKD is committed to meeting the needs and timing requirements of the City. The timing of this work fits into our schedule, and we have the capacity to properly serve your business needs
- ▲ We believe our municipal government expertise, strong reputation as a national CPA and advisory firm and commitment to proactively communicate with the City on a regular basis offers the opportunity for an effective working relationship that addresses your specific requirements.

We believe our proposed fees for the requested work are fair and will provide a good value to the City. If, in the final analysis, the City believes we would be the best choice as auditors and fees or any other matters are still an issue, we are willing to discuss these matters with you in an effort to arrive at a position that is fair for both parties.

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# Appendix

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## Proposer Guarantees

### 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: Don Williams  
Name (typed): Don Williams  
Title: Partner  
Firm: BKD, LLP  
Date: March 21, 2013



# 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:	<u>Don Williams</u>
Name (typed):	<u>Don Williams</u>
Title:	<u>Partner</u>
Firm:	<u>BKD, LLP</u>
Date:	<u>March 21, 2013</u>

*\* BKD does not have a separate policy for errors and omissions insurance due to the nature of our business. However, our professional liability insurance covers errors and omissions. Coverage exceeds \$2,000,000.*

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## AICPA Peer Review Letter

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

December 12, 2011

Neal Spencer, CPA  
BKD, LLP  
910 E Saint Louis St Ste 400  
Springfield, MO 65806-2570

Dear Mr. Spencer:

It is my pleasure to notify you that on December 8, 2011, the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2014. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Sincerely,

A handwritten signature in black ink that reads "Betty Jo Charles". The signature is written in a cursive, flowing style.

Betty Jo Charles  
Chair—National Peer Review Committee

Firm Number: 10002800

Review Number: 322773

*Administered by the  
National Peer Review Committee*

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T: 919.402.4502 | F: 919.402.4876 | [aicpa.org](http://aicpa.org)

# BKD Peer Review Report



## System Review Report

To the Partners of BKD, LLP  
and the AICPA 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 non-SEC issuers in effect for the year ended May 31, 2011. 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. 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](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice applicable to non-SEC issuers of BKD, LLP in effect for the year ended May 31, 2011, 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*.

*Clifton Gunderson LLP*

August 17, 2011

10700 Research Dr., Suite 200  
Milwaukee, Wisconsin 53226  
tel: 414.476.1880  
fax: 414.476.7286

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



# Sample Reports

## Independent Auditor's Sample Report

The sample report for the City assumes that the Single Audit will be separately bound and not included in the City's CAFR.

### Independent Auditor's Report

The Mayor and City Council  
City of Example, State  
Clientown, State

#### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate discretely presented component units of Example City (the City), which are each comprised of a statement of net position as of June 30, 2013 and a statement of activities for the year then ended; as well as the accompanying financial statements of each major fund and the aggregate remaining fund information, which for governmental funds are each comprised of a balance sheet as of June 30, 2013 and a statement of revenues, expenditures and changes in fund balances for the year then ended, for proprietary funds are each comprised of a statement of net position as of June 30, 2013 and a statement of revenues, expenses and changes in net position and statement of cash flows for the year then ended; and for fiduciary funds are each comprised of a statement of fiduciary net position as of June 30, 2013 and a statement of changes in fiduciary net position for the year then ended; which collectively comprise the City's basic financial statements 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.

#### *Opinion*

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of

the Example City as of June 30, 2013 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

***Supplementary 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 other supplementary information listed in the table of contents, is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying introductory and statistical sections 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. Such information has 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.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 2013 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* and should be considered in assessing the results of our audit.

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

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# Norman Tax Increment Finance Authority Independent Auditor's Sample Report

## Independent Auditor's Report

Governing Body  
Example Government  
Clientown, State

We have audited the accompanying basic financial statements of Example Government, a component unit of Example City, which are comprised of a statement of net position as of June 30, 2013, and a statement of revenues, expenses and changes in net position and of cash flows for the year then ended, 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 an opinion 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Example Government as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 2013 on our consideration of the Example Government'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* and should be considered in assessing the results of our audit.

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

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

Sample generally accepted government auditing standards (GAGAS) report for the City with assumption there are no findings to be reported:

## 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*

The Mayor and City Council  
City of Example, State  
Clientown, State

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example City as of and for the year ended June 30, 2013 which collectively comprise its basic financial statements and have issued our report thereon dated November XX, 2013. 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.

### *Internal Control over Financial Reporting*

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### *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*.



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***Other Matters***

We noted certain matters that we reported to the City's management in a separate letter dated November XX, 2013.

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

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# **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct & Material Effect on Each Major Program & On Internal Control Over Compliance in Accordance with OMB Circular A-133 & Schedule of Expenditures of Federal Awards**

Sample Single Audit report for the City with the assumption that the Single Audit will be separately bound and not included in the City's CAFR and no findings are to be reported:

## **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards**

The Mayor and City Council  
City of Example, State  
Clientown, State

### ***Compliance***

We have audited the compliance of Example City with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance of the City based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

### ***Opinion***

In our opinion, Example City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Example City as of and for the year ended June 30, 2013, and have issued our report thereon dated November XX, 2013 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Restricted Purpose***

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

## Industry Insight Articles

### GASB Significantly Changes Pension Accounting & Reporting



#### BKD INSIGHTS

### GASB SIGNIFICANTLY CHANGES PENSION ACCOUNTING & REPORTING

by Melissa Tuttle, [mtuttle@bkd.com](mailto:mtuttle@bkd.com)

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. The statement amends the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to government employers that account for pensions provided through trusts, or equivalent arrangements, that meet certain criteria. The statement includes accounting guidance for employers participating in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans and defined contribution plans. The statement also addresses note disclosure and required supplementary information for employers whose employees are provided with defined benefit pensions through trusts. GASB 27 and 50 will remain applicable to employers whose pensions are not covered by the scope of this new statement.

GASB simultaneously issued a related statement (GASB 67) addressing plans' accounting and financial reporting for state and local government pensions (an amendment to GASB Statement No. 25). The two new statements are closely related in many areas.

Statement No. 68 will trigger significant changes in accounting and reporting of pension benefits, including

#### IMPORTANT REMINDER

What's reported in the financial statements is different than what is funded. Reporting is governed by GASB; funding is determined by policy. Under current standards, pension expense and pension funding are effectively the same. GASB is changing financial reporting by state and local governments of pension plans, including pension expense—not what is actually funded. The statement does not require governments to change their funding policies for annual pension contributions; only the accounting and financial reporting of employees's pension expense and related liabilities are affected.

what's **reported** and how it's **calculated**. This includes new procedures for measuring and recognizing obligations associated with pensions, pension costs and deferred outflows or inflows of resources. It also includes changes in the methods and assumptions used to project pension payments, discount projected payments to their present values and attribute those present values to periods of employee service.

The changes will require many governments to recognize a much larger pension liability than is currently being reported. Current standards are closely related to how governments fund pensions, and liabilities essentially are designed to reflect to what extent a government has complied with its policy for funding pensions. The new statement is designed to recognize pension liabilities that reflect the entire unfunded portion of pension obligations regardless of when the government intends to fund the obligations. In addition, the statement requires future pension obligations to be discounted to present value using a single discount rate that reflects both of the following:

- The long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that those conditions are not met

Current standards require the discount rate to only reflect the long-term investment expected rate of return. Because pension investments generally yield greater returns than governments' long-term borrowing rates, the discounted net present value of pension obligations will be larger under

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the new statement to the extent the projected fiduciary net position will not be sufficient to cover all the projected benefit payments.

## COST-SHARING EMPLOYERS

Under the new statements, a cost-sharing employer whose employees receive pensions through a trust will report a net pension asset or liability, deferred outflows or inflows of resources related to pensions and pension expense based on its proportionate share of the **collective** net pension liability of all employers in the plan. The share of collective net pension liability recognized by an individual employer should be based on the employer's relationship to all employers and nonemployer contributing entities in the plan. The employer's proportion should be consistent with how contributions are determined; the use of the long-term contribution effort of the employer is encouraged. The measurement of collective net pension liability, pension expense and other key information will follow the same standards that apply to single and agent employers. The effects of changes to an employer's expected proportion of total employer-related contributions—as well as the effects of differences between the expected and actual proportionate share of total employer-related contributions each period—will be reported as a deferred outflow or inflow of resources and recognized in the employer's pension expense in a systematic and rational manner over a closed period representative of the average expected remaining service lives of employees, beginning with the period of adoption. Under the current standards, governments recognize only the portion of cost-sharing pension obligations related to their annual required contributions.

## SPECIAL FUNDING SITUATIONS

In some pension plans, an entity other than the employer government is legally responsible for contributing directly to the plan. The legal responsibility to contribute is either not dependent on a particular event or circumstance unrelated to the pension plan or dependent.

A responsibility not dependent upon an event unrelated to pensions might be a requirement to contribute

a certain percentage of the employer government's covered payroll. Under this special funding situation, the funding government legally responsible for contributing has assumed a portion of the employer government's pension obligation as its own. Consequently, the funding government will recognize its proportionate share of the net pension asset or liability, deferred inflows or outflows of resources and pension expense under the new statement. The employer government will calculate its net pension liability and related financial statement elements, prior to the funding government's support, but will recognize amounts net of the funding government's proportionate share. The employer government will recognize revenue as well as additional pension expense equal to the funding government's support.

On the other hand, funding dependent on an event unrelated to the pension plan will be accounted for in a manner similar to grants. The recipient government will recognize the contribution from the other government as revenue. The funding government will recognize the contribution as an expense, but not as a pension expense.

## SUMMARY OF SIGNIFICANT CHANGES

Under the current guidance, single and agent employers are already including certain note disclosures in the government's financial statements and recognizing pension cost equal to the actuarial calculation of the employer's annual required contribution adjusted by the net pension obligation for past under- or over-contributions. As these employers are already recognizing and measuring a pension cost and a pension liability based on an actuarial valuation, the anticipated impact of the new statement on these employers should be less than the impact on cost-sharing employers. Although the impact is anticipated to be less on single and agent employers, all employers need to comply with the relevant requirements in the new statement, such as using a single discount rate, including ad hoc cost-of-living adjustments (COLAs) that are substantively automatic, and using the entry age actuarial cost method.

Following is a summary of selected significant differences between the current and new GASB guidance for accounting and financial reporting of **cost-sharing multiple-employer** defined pension benefits:





CURRENT	NEW (GASB 68)	IMPLICATION
<ul style="list-style-type: none"> <li>• <b>Pension expense</b> is based on contributions that are made (pay-as-you-go basis) or based on a contractually required amount, which can be determined either by statute, by contract or on an actuarially determined basis.</li> </ul>	<p>The following inputs, unless noted otherwise, will be included in pension expense in the current measurement period:</p> <ul style="list-style-type: none"> <li>• Employees' service cost attributed to the current period in the actuarial valuation</li> <li>• Interest on total pension liability (TPL)</li> <li>• Projected earnings on plan investments</li> <li>• For all employees (including active and inactive employees), changes in TPL due to changes in benefit terms</li> <li>• Effects of differences between expected and actual experience with regard to economic and demographic factors and the effects of changes of assumptions should be recognized as follows:                             <ul style="list-style-type: none"> <li>◦ Effects related to the TPL of all employees (including active and inactive employees), should be recognized as a deferred outflow or inflow of resources and recognized in pension expense based on the average expected remaining service life of all employees</li> </ul> </li> <li>• Difference between actual investment earnings and projected earnings should be recognized as follows:                             <ul style="list-style-type: none"> <li>◦ Differences will be deferred and recognized as expense over a five-year period beginning in the period in which the difference occurred</li> </ul> </li> <li>• In general, all other changes should be included in expense in the period of change</li> </ul>	<ul style="list-style-type: none"> <li>• Earlier recognition of pension expense.</li> <li>• Increased comparability of reported pension information.</li> <li>• Recognition of liability and expense as benefits earned by employees.</li> </ul>





CURRENT	NEW (GASB 68)	IMPLICATION
<ul style="list-style-type: none"><li>A government sponsor only reports a <b>liability</b> to a pension plan if the government sponsor's contribution to the plan is less than the contractually required amount. This method does not take into account when benefits are earned (when service is provided by employees).</li></ul>	<ul style="list-style-type: none"><li>TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee services.</li><li>The cost-sharing employer is responsible for a proportionate share of the collective TPL not covered by pension assets, which is an unfunded obligation, and the entity should report its portion of the amount as a net pension liability (NPL) on the statement of net position. NPL is calculated as TPL less the plan's fiduciary net position.</li><li>Other government liabilities to a pension plan, such as contributions due but not yet paid, will be reported separately from the NPL.</li></ul>	<ul style="list-style-type: none"><li>The addition of this long-term liability to the statement of net position will reduce unrestricted net position.</li><li>Cost-sharing entities will have to calculate their portion of NPL and record NPL and pension expense as well as disclose plan information.</li></ul>
<ul style="list-style-type: none"><li><b>Actuarial valuation</b> is not required by GASB.</li></ul>	<ul style="list-style-type: none"><li>The TPL needs to be determined as of the measurement date (a date no earlier than the end of the employer's prior fiscal year, consistently applied from period to period) and an actuarial valuation must be completed at least biennially. The measurement date of the TPL can be from either an actuarial valuation as of the measurement date or from updated procedures rolling forward amounts from an actuarial valuation as of a date no more than 30 months and one day earlier than the employer's most recent fiscal year-end.</li><li>Employer contributions made subsequent to the measurement date of the NPL and before the end of the employer's reporting period should be reported as a deferred outflow of resources.</li></ul>	<ul style="list-style-type: none"><li>Newly required by GASB, although employers might have already been using this method.</li></ul>





CURRENT	NEW (GASB 68)	IMPLICATION
<ul style="list-style-type: none"><li>Although actuarial valuations are not required by GASB, if a pension plan used actuarial valuations, in practice, the long-term rate of return on assets is used for the <b>discount rate</b>.</li></ul>	<ul style="list-style-type: none"><li>As long as plan assets are projected to be sufficient to make projected benefit payments, governments will discount projected benefit payments using the long-term expected rate of return.</li><li>If plan assets are projected not to be available to be invested long-term and, therefore insufficient for paying benefits, then governments will need to incorporate into the discount rate a 20-year, high-quality, tax-exempt general obligation municipal bond rate to the extent projected benefits are unfunded.</li></ul>	<ul style="list-style-type: none"><li>As current tax-exempt general obligation municipal bond rates are low and projected benefit payments are discounted using a rate that includes this rate, the actuarial present value will be greater and the net pension liability larger.</li></ul>
<ul style="list-style-type: none"><li>Although actuarial valuations are not required by GASB, in general, if a pension plan used actuarial valuations, only automatic cost-of-living adjustments (COLAs) were typically included in liability and expense <b>calculations</b>.</li></ul>	<ul style="list-style-type: none"><li>Automatic COLAs and ad hoc COLAs that are substantively automatic are included in the calculation.</li></ul>	<ul style="list-style-type: none"><li>This will increase NPL.</li></ul>
<ul style="list-style-type: none"><li>If an actuarial valuation was used, a choice of various <b>actuarial methods</b> was allowed.</li></ul>	<ul style="list-style-type: none"><li>The only actuarial method allowed to allocate the discounted present value over a period will be the entry age actuarial cost method.</li><li>Attribution of the present value of benefit payments should be done as a level percentage of projected payroll.</li></ul>	<ul style="list-style-type: none"><li>This will increase comparability of reported pension information.</li></ul>







CURRENT	NEW (GASB 68)	IMPLICATION
<ul style="list-style-type: none"><li>• <b>Note disclosures</b> currently include required contribution rates of the employer in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, and how the contractually required contribution rate is determined, or that the cost-sharing plan is financed on a pay-as-you-go basis.</li></ul>	<p>Governments participating in pension plans will disclose the following (this list is not all-inclusive):</p> <ul style="list-style-type: none"><li>• Description of benefits<ol style="list-style-type: none"><li>1. Name of the plan</li><li>2. Description of the benefit provisions, including classes of employees covered</li><li>3. Description of contribution requirements</li><li>4. Whether a standalone pension plan financial report is available and, if so, how to obtain it</li></ol></li><li>• Net pension liability information<ol style="list-style-type: none"><li>1. Significant assumptions used in the measurement of the TPL</li><li>2. Detailed information about the discount rate (including a sensitivity analysis that shows the effect on the NPL of a one percentage point increase and a one percentage point decrease in the discount rate)</li></ol></li><li>• Plan's fiduciary net position information:<ol style="list-style-type: none"><li>1. Elements of the plan's basic financial statements (or, if available, information on how to obtain the plan's financial statements and whether same basis is used)</li></ol></li><li>• Additional information:<ol style="list-style-type: none"><li>1. Employer's proportionate share (in dollars and percent) of the collective NPL</li><li>2. Measurement date of the collective NPL and date of the actuarial valuation used to calculate TPL</li></ol></li></ul>	<ul style="list-style-type: none"><li>• Cost-sharing employers will present detailed plan information.</li><li>• This will increase comparability of reported pension information.</li></ul>



CURRENT	NEW (GASB 68)	IMPLICATION
	<ol style="list-style-type: none"> <li>Description of changes of assumptions, inputs or benefit terms that affected TPL</li> <li>Changes between measurement date of collective NPL and the employer's reporting date expected to have a significant impact on the employer's proportionate share of the collective NPL</li> <li>Amount of pension expense recognized during the period</li> <li>Individual components of deferred outflows and deferred inflows of resources</li> <li>Schedule of each of the subsequent five years and in aggregate thereafter, the net amount of deferred outflows and inflows of resources to be recognized in pension expense</li> <li>Amount of revenue recognized for contributions provided by nonemployer contributing entities (special funding situation (SFS)), if any</li> </ol>	

- **Required supplementary information** (RSI) currently includes a schedule of funding progress and employer contributions for the plan, unless the financial statements of the plan are publicly available. RSI also currently includes a disclosure that the information presented relates to the cost-sharing plan as a whole and provides information to facilitate understanding the scale of the information presented relative to the individual employer.

Governments participating in pension plans will present the following as of the *measurement date* of the collective NPL (this list is not all-inclusive):

- 10-year schedule containing the employer's proportion, in percent of the collective NPL; employer's proportionate share, in dollars of the collective NPL; employer's covered-employee payroll; related ratios

- Cost-sharing employers will present schedules containing information regarding their proportionate share.
- This will increase the comparability of reported pension information.



## CURRENT

## NEW (GASB 68)

## IMPLICATION

Governments participating in pension plans will present the following as of the employer's most recent fiscal year-end (this list is not all-inclusive):

- If statutorily or contractually established contributions, 10-year schedule presenting required employer contribution; contributions recognized by the plan; difference between required and contributed amounts; employer's covered-employee payroll; related ratio

Other items:

- Specific RSI is required if the employer has an SFS
- Notes to the schedules

## EFFECTIVE DATE &amp; TRANSITION

The statement has an effective date of periods beginning after June 15, 2014, for all employers, although early application is encouraged. To the extent practical, accounting changes made to comply with this statement should be reported as adjustments of prior periods; financial statements presented for the affected periods should be restated.

For more on how these changes could affect your organization, contact your BKD advisor. To view or download the statements, visit [www.gasb.org](http://www.gasb.org).

This information was written by qualified, experienced BKD professionals, but applying specific information to your situation requires careful consideration of facts and circumstances. Consult your BKD advisor before acting on any matter covered in this update.

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## BKD INSIGHTS

### GASB ISSUES STATEMENT NO. 63 REPORTING

by Joel Haaser, [jhaaser@bkd.com](mailto:jhaaser@bkd.com)

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows and deferred inflows of resources, originally introduced and defined in Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

The primary purpose of the new standard was to clarify where these new elements were to be reported in the statement of financial position. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, previously identified certain transactions requiring the use of deferred outflows and deferred inflows of resources.

With the implementation of GASB 63, the Statement of Net Assets will become the Statement of Net Position. Along with the name change, the Statement of Net Position will include two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in a Statement of Net Position in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are required to be reported in a Statement of Net Position in a separate section following liabilities. In addition, the totals of these two new classifications should be added to the total for assets and liabilities, respectively.

Another change to financial reporting will include new definitions and calculations of former net asset classifications—invested in capital assets, net of related debt, restricted and unrestricted. Invested in capital assets, net of related debt will be titled

“Net Investment in Capital Assets.” The title of the other two classifications will remain the same. The calculations used in arriving at the balances of the classifications will be similar to what they were before, but each will include the new components of deferred outflow and deferred inflow of resources consistent with the placement of assets and liabilities, respectively. For example, the restricted component of net position now will generally consist of restricted assets reduced by liabilities and *deferred inflows of resources* related to those assets.

In addition to the need for establishing a framework detailing how these new elements should be reported, GASB continues to review the presentation of deferred balances and their effect on a government's net position. The organization recently issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB also is deliberating other projects that may result in the recognition of deferred outflows and deferred inflows of resources.

The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011, though earlier application is encouraged. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively by reclassifying the Statement of Net Position and balance sheet information, if practical, for all prior periods presented.

For more information on how the proposed changes could affect you, contact your BKD advisor.

This information was written by qualified, experienced BKD professionals, but applying specific information to your situation requires careful consideration of facts and circumstances. Consult your BKD advisor before acting on any matter covered in this update.

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### Depth of Knowledge & Experience

Municipalities nationwide depend on BKD as their CPA and advisory firm of choice. With dedicated advisors in BKD National Governmental Group, we have the experience and commitment you require as you look for help determining the most effective way to deliver services and meet fiduciary and regulatory requirements.

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Develop strong compliance programs and find solutions for tough issues

#### STRATEGY & SUSTAINABILITY

Expand your resources and achieve your mission, responsibly



#### TAX

Gain peace of mind with solid tax decisions and compliance strategies

Keep your vital systems and data safe

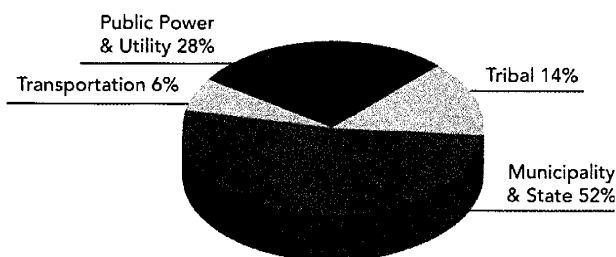
#### OPERATIONS MANAGEMENT & OUTSOURCING

Gain operational efficiency by controlling the ebb and flow of your business cycle

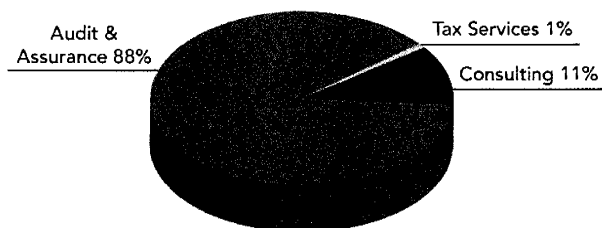
### Our Clients & Services

Geographically spread throughout the United States, our significant client base reflects the diversity of governmental entities, both in size and type of organization. The following graphs demonstrate the clients we serve and the services we provide.

BKD Governmental Clients



BKD Governmental Services



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## Essential Communication of Issues & Trends

**BKD Insights** and **BKD Alerts**, webinars, podcasts, and live seminars provide industry-specific information to keep you informed of important changes in regulations and accounting and tax methods and provide complimentary training opportunities, which may be eligible for continuing professional education credits on a variety of topics that are important to you. We encourage you to discover the wide array of resources available to governmental organizations on our website, **bkd.com**.

## Specialized Skills & Expertise

Our advisors offer specialized skills and expertise necessary to help you achieve your objectives. Our advisors include:

- ▲ Auditors and internal auditors
- ▲ OMB Circular A-133 audit professionals
- ▲ Tax, human resources and fringe benefit advisors
- ▲ Internal controls and risk assessment advisors
- ▲ Employee benefit plan professionals
- ▲ Finance advisors
- ▲ Litigation and support professionals
- ▲ Forensic advisors
- ▲ Strategic planners
- ▲ Information technology professionals

## Our Commitment to Government

Our commitment to the industry accounting profession expands to involvement on national industry committees, such as the GASB and AICPA.

Andy Richards, partner in our Little Rock office, was recently named to the GASB's Comprehensive Implementation Guide Advisory Committee. The 11-member committee advises GASB on its Comprehensive Implementation Guide, which helps financial statement preparers apply a number of GASB pronouncements. Andy also was involved with the governmental accounting standards-setting process as a Practice Fellow with the GASB in Norwalk, Connecticut. He is a member of the AICPA State & Local Government Expert Panel, which identifies state and local government financial reporting and auditing issues and works to achieve resolutions benefiting the public interest.

Jim Brown, retired BKD partner, was selected January 12, 2012, to the seven-member GASB. He is serving a five-year term on the board that commenced on July 1, 2012. In this capacity, Jim is helping develop and improve the financial accounting and reporting standards used by state and local governments across the country. He has specialized in government accounting and auditing for nearly 40 years and served as a BKD partner for more than 25 years before retiring in May 2011. He was responsible for quality control and training for BKD's government and not-for-profit practice and acted as the firm's principal contact with GASB.

BKD advisors also actively serve as participants, exhibitors, speakers and sponsors in local, regional and national associations for governmental organizations, including:

- ▲ Association of Government Accountants (AGA)
- ▲ Government Finance Officers Association (GFOA)
- ▲ National League of Cities (NLC)

## BKD at a Glance

# experience **BKD**<sup>LLP</sup>

CPAs & Advisors

**Clients** – Private and publicly traded companies, governmental entities, not-for-profit organizations and individuals

**Total Personnel** – Approximately 2,000

**Partners & Principals** – Approximately 250

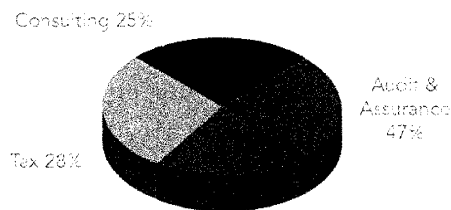
**Net Revenues** – Approximately \$402 million

**Fiscal Year-End** – May 31

**Founded** – 1923

**Locations** – 30 offices serving clients in all 50 states and internationally

Service Mix



**Client Service** – The **BKD Experience** is a promise of unmatched client service brought to you by approximately 2,000 CPAs, advisors and dedicated staff who take your business personally.

**International Solutions** – The firm is one of the largest members of Proxify, LLC, a global alliance of independent firms serving clients in more than 80 countries. We offer multinational clients a gateway to the global marketplace with services delivered by alliance firms committed to the highest standards required in international business.

**Professional Affiliations** – BKD is a member of the American Institute of Certified Public Accountants (AICPA) and its three quality centers: Center for Audit Quality, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

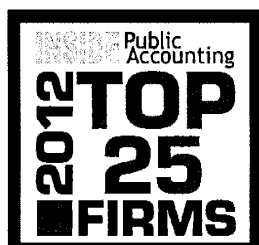
BKD is registered with the Public Company Accounting Oversight Board (PCAOB), which is required to serve as an independent auditor of public companies. BKD audits approximately 30 U.S. Securities and Exchange Commission registrants, including more than 30 benefit plans.

**Mission Statement** – The mission of BKD is to always strive for excellence in providing services to clients, create rewarding career opportunities and maintain sound professional, business and financial standards.

# 2000

**The BKD Experience** is a promise of unmatched client service brought to you by approximately 2,000 CPAs, advisors and dedicated staff who take your business personally.

# Inside Public Accounting Report



## INSIDE Public Accounting

The competitive advantage for accounting firm leaders since 1987

Volume 26  
Number 8

### THE 2012 IPA 100 RANKED BY U.S. NET REVENUE

RANK		FIRM / HEADQUARTERS	MP / CEO	OFFICES	FYE	REVENUE
'12	'11					
1	1	Deloitte LLP / New York	Joe Echevarria	100	5/11	\$11,939,000,000
2	2	PwC U.S. / New York	Bob Moritz	75	6/11	\$8,844,000,000
3	3	Ernst & Young LLP / New York	Steve Howe Jr.	78	6/11	\$7,500,000,000
4	4	KPMG LLP / New York	John B. Veihmeyer	88	9/11	\$5,361,000,000
5	5	McGladrey LLP / Minneapolis	Joe Adams	75	4/12	\$1,283,440,000
6	6	Grant Thornton LLP / Chicago	Stephen Chipman	56	12/11	\$1,146,121,000
7	8	BDO USA LLP / Chicago	Jack Weisbaum	42	6/12	\$618,000,000
8	7	CBIZ & Mayer Hoffman McCann PC / Cleveland / Leawood, Kan.	Dave Sibits Bill Hancock	133 / 36	12/11	\$598,000,000
9	9	Crowe Horwath LLP / Oak Brook, Ill.	Charles M. Allen	28	3/12	\$553,295,000
10	10	BKD LLP / Springfield, Mo.	Theodore D. Dickman	29	5/12	\$401,796,000
11	12	Plante Moran / Southfield, Mich.	Gordon E. Krater	18	6/12	\$331,000,000
12	11	Moss Adams LLP / Seattle	Rick Anderson	21	12/11	\$323,000,000
13	13	Dixon Hughes Goodman LLP / Charlotte, N.C.	Ken Hughes	30	5/12	\$301,189,000
14	19	LarsonAllen LLP / Minneapolis	Gordon A. Viere	26	10/11	\$285,000,000
15	16	Marcum LLP / New York	Jeffrey M. Weiner	20	12/11	\$274,223,400
16	17	Baker Tilly Virchow Krause LLP / Chicago	Timothy Christen	11	5/12	\$259,000,000
17	15	EisnerAmper LLP / New York	Howard Cohen Charles Weinstein	8	1/12	\$256,924,000
18	14	Clifton Gunderson LLP / Milwaukee	Krista M. McMasters	43	5/11	\$254,652,060
19	18	J.H. Cohn LLP / Roseland, N.J.	Thomas J. Marino	15	1/12	\$252,049,000
20	20	Reznick Group PC / Bethesda, Md.	Kenneth E. Baggett	10	5/12	\$215,202,000
21	21	UHY Advisors Inc. / Chicago	Anthony Frabotta Rick Stein	16	12/11	\$182,751,254
22	23	Rothstein Kass / Roseland, N.J.	Howard Altman Steven Kass	8	12/11	\$181,565,300
23	22	ParenteBeard LLC / Philadelphia	Robert J. Ciaruffoli	20	12/11	\$169,601,367
24	24	Eide Bailly LLP / Fargo, N.D.	Jerry A. Topp	19	4/12	\$157,695,636
25	26	Wipfli LLP / Milwaukee	Rick Dreher	20	5/12	\$151,600,000

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