

THE COMMISSIONERS OF LEONARDTOWN, MARYLAND  
REQUEST FOR PROPOSAL  
INDEPENDENT AUDIT SERVICES

ADDENDUM #1

April 10, 2019

**April 4, 2019 Voluntary Pre-Proposal meeting**

Opening remarks from Rebecca Sothoron, Treasurer

Welcome to Town Hall

Today's questions will be recorded and answered. Additional written questions will be accepted through April 8<sup>th</sup>. All questions and answers will be documented and distributed by written addenda on April 10<sup>th</sup>.

Rebecca Sothoron has been Comptroller then Treasurer since 1989

Passed CPA exam in 1985

Worked in public accounting for four years

Rebecca Sothoron has prepared all of the MD & A, basic financial statements, notes and UFR reports and executed GASB 34 compliance during that time.

The Treasurer position is currently budgeted at 24 hours per week. Normal workweek is Monday through Thursday 8:30 until 3:00. Auditors are welcome to utilize office space from 8:30 to 4:30 Monday through Friday

Spacious open workspace will be reserved for audit staff as necessary.

Review of time requirements in Section IV

Review of budgetary basis accounting as explained in Financial Statements Note B

There is no pension plan/liability

Previous auditor is happy to entertain inquiries

Mary Ann Murray

HeimLantz(formerly Murray, Wamsley and Schrader, LLC)

22738 Maple Rd, Suite 201

Lexington Park, MD 20653

301-862-3367

## Questions and answers from prospective proposers

1. Can the current firm propose?

Section V.C. The prior firm merged and no longer performs GAGAS audits.

2. Why is the Town seeking audit proposals?

Section V.C. The prior firm merged and no longer performs GAGAS audits.

3. Based on the RFP are we correct to understand that the auditors are provided a full set of financials including note disclosures?

Yes. The Treasurer would like to utilize the auditor's disclosure checklist to ensure all required notes are included prior to the auditor reviewing the draft financials.

4. What level of assistance can we expect from the Leonardtown staff?

This is addressed in Section III.B. of the RFP document. During on-site fieldwork, staff will assist in a timely manner when documents need to be pulled and questions need to be answered.

5. Who takes the lead in the implementation of new GASBs?

The Treasurer stays abreast of new GASBs and attends training for such. The auditor may be asked to advise or answer questions if they arise.

6. Is there a Single Audit requirement for this RFP?

Section I.C. – The Town will not be subject to Single Audit for the fiscal year ending June 30, 2019.

7. If there was a management letter issued can we obtain a copy?

Prior three years are attached.

8. How long were the auditors on site for the audit and what levels?

The Treasurer did not keep track of on site work hours. You may reach out to the prior auditor to inquire.

Mary Ann Murray, Engagement Partner  
HeimLantz(formerly Murray, Wamsley and Schrader, LLC)  
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9. Will the predecessor work papers and audit partner be available to help the new auditor evaluate the opening balances for Leonardtown, in accordance with professional standards?

Please reach out to the prior auditor. See contact information in question 8.

10. Does Leonardtown anticipate the same level of funding from federal, state, and local sources as noted in the prior year?

FY19 will have a significantly lower amount of state grant funds for the recently completed ENR project at the wastewater treatment plant.

FY19 includes a one time pass through grant to St. Mary's County in the amount of \$200,000.

Local revenue sources are expected to remain relatively flat.

11. How many audit adjustments were made in the prior year audit?

No additional audit adjustments were made by the auditor. All year end journal entries were identified and posted by the Treasurer prior to preparation of the financial statements.

12. Was there any new debt issued?

No.

13. Does the Town maintain detailed accounts receivables by resident for the proprietary fund?

Yes.

14. Does Leonardtown process its own payroll or use a third-party service provider?

Leonardtown processes its own payroll. Section II.C. specifies the number of employees.

15. Does Leonardtown use any external service providers? If so, has Leonardtown received SSAE16/SOC1 (formerly SAS 70) reports from these service providers?

Leonardtown currently contracts with local service provider, Just Tech, for routine IT services.

A third party administrator, Further, handles HRA claims as part of the health benefit plan.

Leonardtown accepts electronic and online customer payments. Those providers are Bluefin Payments Systems, VANCO payment systems and TTech payment systems.

Leonardtown has neither requested nor received service audit reports from any of these companies.

16. What were the prior year audit fees broken out by Governmental Funds and Proprietary Funds?

The prior year audit fee was \$24,700; all recorded in the Governmental Fund.

17. During interim and year-end audit procedures, are the auditors expected to work in Leonardtown offices, or will information be available to be electronically transmitted?

There is a certain expectation of on-site fieldwork, especially in year one when perm file documentation is being compiled. All audit work papers are prepared in Excel and can be transmitted electronically as necessary. The accounting software allows for reports to be transmitted electronically as PDF files.

18. Will auditor access be available to the Leonardtown financial reporting system?

A user id for the auditor has been established. One of the three workstations which has the application installed must be used.

19. What has been the customary timing of fieldwork?

The Treasurer prepares confirmations the first week of July.

The previous audit firm did a majority of fieldwork after September 15. The Treasurer drafted financials after there was consensus that no additional audit adjustments were needed. This draft document was normally available by October 15. The UFR was normally available a week later. Documents were transmitted electronically between the Treasurer and auditor during the review and edit period. All reports were filed on the October 31 due date.

The Treasurer would prefer a schedule that incorporates a significant amount of fieldwork prior to June 30. For June 30, 2019, this may not be feasible, but should be a goal if the auditor remains for future years. Filing reports prior to October 31 is also a goal.

20. Was there a SAS 115 letter issued?

The SAS 115 required communication is the last two pages of the financial statement. There were no material weaknesses or significant deficiencies reported.

21. Can we obtain the other questions and answers from other firms?

Questions and answers from all parties have been summarized here.

To the Town Commissioners and Senior Management  
The Commissioners of Leonardtown  
P.O. Box 1  
Leonardtown, Maryland 20650

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Commissioners of Leonardtown as of and for the year ended June 30, 2018, 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, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we became aware of a certain deficiency in internal control other than significant deficiencies and material weaknesses or other matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report on The Commissioner of Leonardtown's internal control over financial reporting and on compliance and other matters dated October 31, 2018.

#### Accounting and Purchasing Manual

The Town's accounting and purchasing manual was written in 1999 and is in need of update. We recommend that this manual be updated. The importance of a current manual increases in importance as the Town grows and transactions become more complicated.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestions with the Treasurer, and we will be pleased to discuss this comment in further detail at your convenience.

We wish to thank Town personnel for their support and assistance during the audit.

This communication is intended solely for the information and use of The Commissioners of Leonardtown and its senior management and is not intended to be and should not be used by anyone other than these specified parties.

*Murray, Wansley & Schrader, LLC*

Lexington Park, Maryland  
October 31, 2018



To the Town Commissioners and Senior Management  
The Commissioners of Leonardtown  
P.O. Box 1  
Leonardtown, Maryland 20650

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Commissioners of Leonardtown as of and for the year ended June 30, 2017, 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, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we became aware of certain deficiencies in internal control other than significant deficiencies and material weaknesses or other matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report on The Commissioner of Leonardtown's internal control over financial reporting and on compliance and other matters dated October 31, 2017.

#### Accounting and Purchasing Manual

The Town's accounting and purchasing manual was written in 1999 and is in need of update. We recommend that this manual be updated. The importance of a current manual increases in importance as the Town grows and transactions become more complicated.

### Purchase Orders

The Town has a policy whereby purchase orders are to be used for purchases that exceed \$100, with the exception of contracted services and utilities. This policy is not being consistently followed. We understand this policy has been reviewed for effectiveness and no change is anticipated. All Town personnel should comply with the process.

### Timesheet Reporting

The Town has timesheet reporting policies that require daily timesheet entry and also timesheet review and approval each pay period. The policies are not consistently followed by staff. There were instances noted in which timesheets were not properly calculated, timesheet hours were documented and signed off prior to the date the hours were actually worked, and timesheets were not consistently signed off and dated by the preparer and reviewer. We recommend that the timesheet reporting policy be reviewed for effectiveness and communicated to all staff. The policy should be consistently applied by all Town personnel.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Treasurer, and we will be pleased to discuss these comments in further detail at your convenience.

We wish to thank Town personnel for their support and assistance during the audit.

This report is intended solely for the information and use of The Commissioners of Leonardtown and its senior management and is not intended to be and should not be used by anyone other than these specified parties.

*Manay, Winsley & Schrader, LLC*

Lexington Park, Maryland  
October 31, 2017



To the Town Commissioners and Senior Management  
The Commissioners of Leonardtown  
P.O. Box 1  
Leonardtown, Maryland 20650

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Commissioners of Leonardtown as of and for the year ended June 30, 2016, 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, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit, we became aware of certain deficiencies in internal control other than significant deficiencies and material weaknesses or other matters that are opportunities for strengthening internal controls and operating efficiency. These comments are only a result of audit procedures based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified. This letter does not affect our report on the Town's internal control over financial reporting and on compliance and other matters dated October 31, 2016.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Treasurer, and we will be pleased to discuss these comments in further detail at your convenience. Our comments are summarized as follows:

Accounting and Purchasing Manual

The Town's accounting and purchasing manual was written in 1999 and is in need of update. We recommend that this manual be updated.

Purchase Orders

The Town has a policy whereby purchase orders are to be used for purchases that exceed \$100, with the exception of contracted services and utilities. This policy is not being consistently followed. We recommend that this policy be reviewed for effectiveness. Once a policy is deemed effective and adopted, all Town personnel should comply with the process.

We wish to thank Town personnel for their support and assistance during the audit.

This report is intended solely for the information and use of The Commissioners of Leonardtown and its senior management and is not intended to be and should not be used by anyone other than these specified parties.

*Murray, Wamsley & Schrader, LLC*

Lexington Park, Maryland  
October 31, 2016

Members American Institute of Certified Public Accountants

**PLEASE  
SIGN-IN  
INDEPENDENT AUDIT SERVICES  
PRE-PROPOSAL MEETING  
April 4, 2019**

**PLEASE PRINT**

NAME:

**COMPANY**

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