

REQUEST FOR PROPOSAL - AUDITING SERVICES

CITY OF MONTPELIER, VERMONT

**For the Years Ended
June 30, 2010, 2011 and 2012**

A.M. Peisch & Company, LLP
181 North Main Street
St. Albans, Vermont 05478
(802) 527-0505

Christopher R. Goulette, CPA
Partner

Submitted on April 1, 2010

A.M. PEISCH & COMPANY, LLP
AMP
SINCE 1920
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

April 1, 2010

City of Montpelier
Audit RFP
Montpelier Finance Department
City Hall – 39 Main Street, Suite 6
Montpelier, VT 05602

Dear Ms. Gallup:

We are pleased to submit this proposal along with our credentials to provide audit services to the City of Montpelier, Vermont for the fiscal years ending June 30, 2010 with the option of providing audit services for each of the two subsequent fiscal years. This engagement will consist of an audit in accordance with U.S. generally accepted auditing standards and the standards set forth for financial audits in the General Accounting Office's (GAO) *Governmental Auditing Standards*, issued by the Comptroller General of the United States and a compliance audit in accordance the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and OMB Circular A133, as applicable. Also included in this engagement is the conversion of the financial statements from the modified accrual to the full accrual basis of accounting and the preparation of a management letter and any other communications required by the standards. At the conclusion of the audit, we will hold an exit conference with Fothergill Segale & Valley, the City Clerk-Treasurer, and the Finance Director to review draft copies of the aforementioned reports and letters. We will appear before the City Council to discuss findings resulting from the audit.

Unless situations arise beyond our control, we will meet all required deadlines.

We estimate our fee for this engagement for the year ended June 30, 2010 to be \$33,000. We estimate our fees for the years ended June 30, 2011 and 2012 to be \$34,500 and \$36,200, respectively. If additional time is necessary due to situations beyond our control, we will keep you informed of these situations and our fee will be adjusted accordingly. This estimate is effective until May 31, 2010.

We appreciate the opportunity to submit this proposal and hope that we will be able to serve the City of Montpelier, Vermont.

Should you desire additional information, please contact us.

Sincerely yours,



Christopher R. Goulette, CPA
Partner

Enclosures

offices

57 Farnvu Drive
P.O. Box 707
White River Jct., VT 05001
(802) 295-9349

106 High Point Center
Suite 400
Colchester, VT 05446
(802) 654-7255

27 Center Street
P.O. Box 326
Rutland, VT 05702
(802) 773-2721

1020 Memorial Drive
St. Johnsbury, VT 05819
(802) 748-5654

181 North Main Street
St. Albans, VT 05478
(802) 527-0505

TABLE OF CONTENTS

ITEM		PAGE
A.	TITLE PAGE	
B.	LETTER OF TRANSMITTAL	
C.	TABLE OF CONTENTS	
D.	OUR FIRM	1
E.	RESUMES OF ENGAGEMENT TEAM PERSONNEL	2-3
F.	MUNICIPAL AUDITING DIVISION / CONTINUING EDUCATION	4
G.	PEER REVIEW PROGRAM AND REPORT	5-6
H.	SELECTED CLIENTS SERVED	7
I.	PROPOSED WORK SCHEDULE AND DETAILED WORK PLAN	8-9
J.	FEE SCHEDULE AND ESTIMATED PROJECT COSTS	10
K.	COMPENSATION – APPENDIX A	11
L.	ADDITIONAL INFORMATION - RESOURCES AND AFFILIATIONS	12

OUR FIRM

MISSION

A.M. Peisch & Company, LLP is the premier provider of accounting, auditing, IT services, tax, and business advisory services to the industries and individuals we serve. We transform knowledge into value, thereby enhancing the economic performance and quality of life of our clients, communities, partners, employees, and their families.

PURPOSE

A.M. Peisch & Company, LLP exists to add value to our clients and our communities. Archibald M. Peisch, a professor at Dartmouth College, established our organization in 1920. He endeavored to build a professional service firm dedicated to the premise that the company be large enough to fully satisfy all of our clients' needs without sacrificing a small firm's responsiveness and personal attention. Today, our professionals staff five offices throughout Vermont. They continuously strive to meet and exceed client expectations. We are affiliated with PKF North American Network, a multi-talented, worldwide force of accountants and specialists, who along with A.M. Peisch & Company, LLP are dedicated to providing superior service and unparalleled technical acumen.

PHILOSOPHY

Of equal importance is our philosophy of service to the community. Our belief is that by supporting the individual endeavors of entrepreneurs, individuals and their organizations, we can make real and measurable contributions to the community as a whole. Consistent with our commitment to technical excellence, we invest in technology and continuing professional education, enabling us to keep on the leading edge of the latest developments in accounting, auditing, and tax matters, as well as business consulting, and systems management.

OBJECTIVES

We seek to maintain a value-added approach in all client engagements. To that end, we require that all members of our service team maintain an attitude of dedication to service, technical excellence and innovation. Our primary intents are to assist our clients in achieving goals and to aid them in pursuing opportunities for profit and resource development.

RESUMES OF ENGAGEMENT TEAM PERSONNEL

The success of our long-term relationships with our government and nonprofit clients is directly related to the individuals selected to serve them. We are confident that our people will meet or exceed your expectations. The team that will serve you has substantial experience with government agencies and nonprofit organizations. Individual team members are in compliance with the education requirements under governmental auditing standards. All firm partners, managers, and supervisors are CPAs licensed in the State of Vermont, and most of our staff is either certified or working toward their certification.

It is our policy to maintain the same primary service team in successive years to provide a continuity of personnel to each client. This allows us to strengthen our understanding of your operations and needs, establish a stronger working relationship with you, and complete the engagement as efficiently as possible. However, if you desire team rotation, the depth and breadth of our firm's experience with governments and nonprofits allow us to alter individual team members without sacrificing the quality you expect from A.M. Peisch & Company, LLP.

Chris Goulette, CPA

Chris is an audit partner in the St. Albans office with over 25 years experience and responsibility for the audits of nonprofit and governmental financial statements. He has participated in various audit, review, compilation and tax engagements since joining our firm in 1984. Chris has a Bachelor's Degree in Business Administration from Western New England College, as well as a Certificate of Achievement in Computer Studies. Chris is the audit team leader and will be responsible for the development and implementation of the audit plan and supervising and reviewing the fieldwork performed by staff personnel. He will also be available for consultation on any accounting system and internal control issues that you may face. He has been responsible for the direction and conduct of numerous municipal and nonprofit engagements, including issues concerning compliance with the Single Audit Act. Since 2001, Chris has annually attended the AICPA's Government and Not for Profit Training program as part of his Governmental Continuing Professional Education. Chris is a member of the American Institute of Certified Public Accountant's and the Vermont Society of Certified Public Accountant's.

George Means, CPA

George is an audit partner with over 30 years experience and responsibility for the audits of nonprofit and governmental financial statements. George will be the quality review and assurance partner on all significant accounting and financial reporting matters. George is a partner in the Rutland office of the firm. George obtained his Bachelor's Degree in Business Administration from the University of Iowa. George has specialized in offering services to government and nonprofit clients. George is a member of the American Institute of Certified Public Accountant's and the Vermont Society of Certified Public Accountant's.

Lisa Magnuson, CPA

Lisa is an audit manager in the Colchester office of the firm. She has participated in various audit, review, and compilation engagements since joining our firm in 1988. Lisa is responsible for the development and

RESUMES OF ENGAGEMENT TEAM PERSONNEL (Continued)

implementation of audit plans and supervising and reviewing the fieldwork performed by staff personnel. Her clients include non-profit organizations and local governments, credit unions, wholesalers and other small businesses. She would be available for consultation on any accounting system and internal control issues that you may face. She has been responsible for the direction and conduct of a number of our municipal and nonprofit engagements, including issues concerning compliance with the Single Audit Act. Lisa is a member of the American Institute of Certified Public Accountant's and the Vermont Society of CPA's.

Jessica Tatro

Jessica is a senior accountant in the Colchester office of the firm. Jessica has five years of experience in audit, accounting and internal audit services with nonprofit, local government, school districts, corporate, and financial industry entities. Jessica's engagements include clients with various federally funded programs including revolving loan funds and direct and indirect grants relating to education, community development, health and human services and local capital projects. She is specifically involved with issues concerning compliance with the Single Audit Act. Jessica will prepare work papers and will review the fieldwork performed by staff personnel.

Other staff personnel may assist in performing the audits as necessary. These personnel will be assigned in a manner which best provides a cost-effective approach and matched to ensure efforts are not duplicated.

MUNICIPAL AUDITING DIVISION / CONTINUING EDUCATION

HISTORY

The Municipal Audit Division of A.M. Peisch & Company, LLP has been serving the accounting, auditing, tax, and advisory needs of Vermont's organizations since 1920. Through our value added approach, we understand the aspirations and objectives of governmental and nonprofit organizations and help our clients in those sectors achieve their goals. Our long-term relationships with our clients are a reflection of the commitment the people of A.M. Peisch & Company, LLP have made to serve the needs of our government and nonprofit clients in Vermont, the Connecticut River Valley and Upstate New York.

To ensure that our services to governmental and nonprofit agencies are of the highest quality, A.M. Peisch & Company, LLP has developed a well-planned professional education program that keeps us current with the applicable accounting standards, principles, and financial statement presentations. All staff is required to complete at least forty hours of continuing professional education each year, through various in-house sponsored programs as well as courses sponsored by the AICPA and the Vermont Society of CPA's. Our staff also receives training through our affiliation with PKF International. Whether certified or not, all staff involved in our governmental auditing division follows the CPE requirements as outlined in the 2007 Yellow Book.

Our commitment to our communities and their people is evidenced by the substantial amounts of time that our people spend in service to their communities. Additionally, the rates of the Government & Nonprofit Division are discounted by 20 percent. We are aware that the success of these sectors is directly linked with our success, both personally and professionally.

GOVERNMENT AND NONPROFIT SERVICES

Financial Statement Services

- Audits, Reviews, Compilations
- Budgets and Projections
- Financial Statement Analysis
- Fraud Audits
- Single Audits - A-133
- Operational Reviews
- IT Technology Reviews and Assessments

Taxation Services

- Unrelated Business Income Issues
- Tax Planning and Preparation for the Organization,
Officers and Directors
- Form 990

PEER REVIEW PROGRAM AND REPORT

Every three years we are required to have an independent peer review performed on our Accounting and Auditing practice of our firm. Our latest peer review was completed on September 17, 2008 for the fiscal year ended June 30, 2008. The peer reviewers completed detail reviews of a variety of Audits, Compilations and Review engagements from different industries, which included numerous Municipal and Not for Profit engagements. They also reviewed a number of Single Audit engagements.

We are pleased to announce that we received an unqualified opinion on our peer review with no letters of comments.

A copy of the results of our latest peer review is on the next page.



Smith Elliott Keama & Company, LLC
Certified Public Accountants & Consultants

To the Partners
A.M. Peisch & Company, LLP

We have reviewed the system of quality control for the accounting and auditing practice of A.M. Peisch & Company, LLP (the firm) in effect for the year ended June 30, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of A.M. Peisch & Company, LLP in effect for the year ended June 30, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Smith Elliott Keama & Company, LLC

Hagerstown, Maryland
September 17, 2008

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Member American Institute of Certified Public Accountants • PKF North American Network • Registered with Public Company Accounting Oversight Board
Carlisle, Pennsylvania • Chambersburg, Pennsylvania • Hagerstown, Maryland • Hanover, Pennsylvania

SELECTED CLIENTS SERVED

Robert Forguites Business Manager 802-885-2104	Town of Springfield, Vermont Springfield, VT	Yellow Book Audit Single Audit GASB 34
Doris Raleigh, Town Clerk 802-868-4421	Town of Swanton, Vermont P.O. Box 711 Swanton, VT 05488	Yellow Book Audit
Anna Bourdon, Town Clerk stalbtwn@comcast.net 802-524-2415	Town of St. Albans, Vermont P.O. Box 37 St. Albans Bay, VT 05481	Yellow Book Audit

SELECTED OTHER CLIENTS SERVED

Addison Northwest Supervisory Union
Vergennes Union High School
Vergennes Elementary School
Franklin West Supervisory Union
Fletcher School District
Fairfax School District
Town of Fairfax, Vermont
Town of Bakersfield, Vermont
Northwest Regional Planning Commission
Housing Vermont
Town of Windsor, Vermont
Town of West Rutland, Vermont

PROPOSED WORK SCHEDULE AND DETAILED WORK PLAN

ANNUAL AUDIT OF THE FINANCIAL STATEMENTS

We will audit and issue opinions on the financial statements of the City of Montpelier, Vermont. Our audits will be conducted in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We will also make all required communications in accordance with the above mentioned standards. We will retain all audit working papers and reports for a minimum period of three years and make work papers available, upon request, to designated City officials.

Examples of tasks to be accomplished during our audit include:

Planning Phase

An essential element in any effective audit effort is planning. Planning sessions will be held with your personnel prior to the commencement of the audit to allow for identification of critical audit areas, early recognition of potential issues, and assessment of new regulatory accounting and reporting requirements that could have an impact on the financial statements of the City.

Questionnaires and Narratives on Internal Controls

We will utilize questionnaires and narratives as tools to develop an understanding of the City's financial reporting and accounting systems, leading logically to a tailored audit program designed to utilize system strengths and compensate for system weaknesses.

Analytical Procedures

We will perform an analytical review of budgets, financial statements, and internal reports to assess any unusual relationships. Our findings will be considered in the development of the audit plan.

Tailored Audit Plan

Performance of the preceding steps results in an audit plan tailored to the facts and circumstances in existence at the City at the time of the audit.

Confirmation Procedures

Confirmation requests will be sent to selected third parties to verify account balances with selected vendors, governmental agencies, and financing entities. A confirmation visit prior to the commencement of the year-end visit may occur to provide for completion of the audit in a more timely and efficient manner.

PROPOSED WORK SCHEDULE AND DETAILED WORK PLAN (Continued)

Year-End Audit and Reporting Phase

This phase of the audit will include a review of year-end account balances and performance of audit tests to the extent necessary to form an opinion on the City's financial statements and issuance of financial statements.

The year-end audit will include examining underlying records relating to all significant accounts and activities of the City. The extent of tests conducted will be based upon the results of work performed during the planning and interim stages of the audit.

Issuance of Financial Statements and Footnotes

We will ensure financial statements and footnotes are properly prepared in the form and manner prescribed by U. S. generally accepted accounting principles.

REPORT OF SIGNIFICANT DEFICIENCIES

An essential feature of our audits is the review and evaluation of your system of internal control upon which the scope and extent of our audit tests will be determined. We will prepare a report of significant deficiencies in the internal control structure noted during our audits and suggest possible improvements. We will also submit ideas or observations we believe will help achieve the City's objectives or improve efficiency in operations. Contents of these communications will be discussed with management prior to submission of the letter in final form to City officials.

TIMING

We will plan and perform audit work at a mutually agreed upon schedule. We expect to complete fieldwork by October 31st. Draft audit reports will be issued and an exit conference will be held by December 1st, unless situations beyond our control arise that delay the issuance of reports. The final report will be completed by December 15th and a presentation will be made to the Montpelier City Council at a mutually agreed upon time. If there is a delay in the issuance of the report due to circumstances beyond our control, we will notify you and work with you to help remedy the problem. All required information and related audit work must be completed to meet required reporting deadlines. If this does not occur, the audit reporting requirements may not be met on time. Prior to our fieldwork visit, we will provide the City with a letter of items to be available at the time of our visit in order to ensure compliance with these time requirements.

TIME ESTIMATES AND STAFFING

Please review the detailed fee schedule and estimated project costs by employee that is included under Item J.

City of Montpelier
Fee Schedule and Estimated Project Costs
Year Ended June 30, 2010

	Chris Coulette Partner in Charge \$174/Hour		George Means Quality Control Partner \$174/Hour		Lisa Magnuson Manager \$126/Hour		Jessica Tatro Senior \$100/Hour		Staff I \$92/Hour		Staff II \$76/Hour		Total
Financial Statement Audit	Total		Total		Total		Total		Total		Total		Total
Planning phase - internal controls, walkthroughs, confirmations, preliminary analytic review, development of detail audit programs	62 hrs	4 hrs \$ 696	-	-	12 hrs \$ 1,512	30 hrs \$ 3,000	16 hrs \$ 1,472	-	-	16 hrs \$ 1,472	-	-	\$ 6,680
On-site audit fieldwork	100 hrs	8 hrs 1,392	-	-	8 hrs 1,008	28 hrs 2,800	28 hrs 2,576	28 hrs 2,128	28 hrs 2,128	28 hrs 2,128	28 hrs 2,128	-	9,904
Reporting and finalization	66 hrs	16 hrs 2,784	2 hrs	348	16 hrs 2,016	24 hrs 2,400	8 hrs 736	-	-	8 hrs 736	-	-	8,284
Expenses - travel time, mileage, meals, clerical	228 hrs	28 hrs 4,872	2 hrs	348	36 hrs 4,537	82 hrs 8,200	52 hrs 4,784	28 hrs 2,128	28 hrs 2,128	28 hrs 2,128	28 hrs 2,128	-	1,512
Total Financial Statement Audit													26,780
Single Audit													
Single Audit Planning	18 hrs	-	-	-	2 hrs \$ 252	16 hrs \$ 1,600	-	-	-	-	-	-	\$ 1,852
Single Audit Testing	40 hrs	-	-	-	24 hrs 2,400	24 hrs 2,400	16 hrs 1,472	16 hrs 1,472	16 hrs 1,472	16 hrs 1,472	16 hrs 1,472	-	3,872
Single Audit Reporting	25 hrs	8 hrs 1,392	1 hrs	174	-	16 hrs 1,600	-	-	-	-	-	-	3,166
Expenses - travel time, mileage, meals, clerical	83 hrs	8 hrs 1,392	1 hrs	174	2 hrs 252	36 hrs 5,600	16 hrs 1,472	16 hrs 1,472	16 hrs 1,472	16 hrs 1,472	16 hrs 1,472	-	9,778
Total Single Audit													36,558
Total	311 hrs	36 hrs 4,872	3 hrs	348	38 hrs 4,790	138 hrs 12,200	68 hrs 6,256	28 hrs 2,128	28 hrs 2,128	28 hrs 2,128	28 hrs 2,128	-	33,000

Rounded to:

APPENDIX A
CITY OF MONTPELIER, VERMONT
PROPOSED AUDIT COST BREAKDOWN

STAFF & EXPENSES	NAME	HOURS	CITY RATE	TOTAL
Partner	Goulette/Means	30	\$174	\$5220
Manager	Magnuson	36	\$126	\$4537
Senior	Tatro	82	\$100	\$8200
Staff II		52	\$92	\$4784
Staff I		28	\$76	\$2128
Expenses				\$1912

Total Price:

Proposed All Inclusive Fee for Audit - 1st Year \$26,781

Proposed All Inclusive Fee for Single Audit - 1st Year \$6,219

Proposed All Inclusive Fee for Audit - 2nd Year \$28,000

Proposed All Inclusive Fee for Single Audit - 2nd Year (if required) \$6,500

Proposed All Inclusive Fee for Audit - 3rd Year \$29,400

Proposed All Inclusive Fee for Single Audit - 3rd Year (if required) \$6,800

ADDITIONAL INFORMATION RESOURCES AND AFFILIATIONS

PKF NORTH AMERICAN NETWORK

It is important for A. M. Peisch and Company, LLP to offer the City of Montpelier, Vermont the resources of a national network of nonprofit and governmental service providers. We hope that you give special consideration to our participation with PKF, an association of independent accounting and consulting firms. With over 240 CPA member firms, PKF helps us provide our clients with specialized knowledge and expertise. PKF member firms are located throughout North America and in over 100 countries. PKF encourages the exchange of professional expertise, information, and resources between member firms, their clients, and worldwide business communities. A. M. Peisch and Company, LLP has daily access to partners, managers, and senior professionals who specialize in nonprofit and governmental clients.

A. M. Peisch and Company, LLP's association with PKF has proven to be an important resource for our nonprofit and governmental clients who require access to critical experience and support. Our firm has access to the resources of a national firm and can respond quickly as your local solutions provider. Because of A. M. Peisch and Company, LLP's extensive experience serving nonprofit and governmental clients as well as having access to the expertise of professionals who belong to one of the world's largest associations of independent accounting firms, we can deliver with confidence the right answers to complex auditing, accounting, management, taxation, and financial questions.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

We are members of the Private Companies Practice Sections of the American Institute of Certified Public Accountants (AICPA), the premier professional regulatory association for CPAs. The rigorous requirements of this membership focus on peer review and continuing professional education. Our membership in the AICPA assures you that the A.M. Peisch & Company, LLP's system of quality control complies with the objectives and standards of the AICPA.

VERMONT SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

As members of the Vermont Society of Certified Public Accountants, we are continuously updated with the latest regulations and kept abreast of issues most pertinent to Vermont's entrepreneurs and institutions. The Society also provides access to a variety of continuing professional education courses.