



**TOWN OF BUCHANAN
COUNCIL MEETING AGENDA ITEM**

AGENDA ITEM: TAB 12 Annual Accounting Services for the Fiscal Year Ending June 30, 2023

ITEM TYPE: Action Issue

PURPOSE OF ITEM: Decision by Motion

PRESENTER: A. Reese Peck, Interim Town Manager

PHONE: 540-254-1212

BACKGROUND / SUMMARY:

The Town requires outside accounting services to make year end closing adjustments and to assistance staff in preparing materials for our annual audit. Estimated total fee to range from \$12,000 - \$16,000.

ATTACHMENTS:

Mary K. Earhart, PLLC, Certified Public Accountant - Engagement Letter

REQUESTED ACTION:

Motion to approve.

February 6, 2023

Mr. Reece Peck
Interim Town Manager
Town of Buchanan, Virginia
P.O. Box 205
Buchanan, VA 24066

Dear Mr. Peck:

I am pleased to confirm my acceptance and understanding of the services I am to provide to Town of Buchanan, hereafter referred to as the "Town" for the fiscal year ending June 30, 2023.

I am prepared to provide accounting and consulting services to the Town contingent upon your approval. The purpose of this engagement letter is to identify the scope of available accounting and consulting services anticipated to be provided at this time and confirm the terms of my engagement.

Scope of Services

The anticipated scope of accounting and consulting services to be provided to the Town is outlined below. These services shall include the operations and funds of the Town. Additional services may be provided as agreed upon in the future.

General accounting and advisory assistance, primarily to assist with preparing supporting documentation for fund basis trial balances ready for financial statement audit, including:

- For all significant balance sheet accounts, compare balances per the trial balances to supporting documentation, prepare supporting schedules, and propose adjustments, as necessary.
- Reconcile beginning fund balances to audited financial statements and propose adjustments as necessary.
- Prepare reversing entries for prior year accruals.
- Prepare adjusting entries for current year accruals based on supporting documentation summarized in the form of spreadsheets or other appropriate format acceptable to the auditors. Work with staff to gather needed detailed support to use in preparation of schedules.
- Perform reconciliations of federal and state funding per the Auditor of Public Account's CARDINAL system disbursements to trial balances.
- Assist staff with recording additions and disposals of assets to the depreciation system as needed.
- Prepare adjustments for debt service payments so long-term debt transactions are properly reported.
- Obtain Virginia Retirement System Snapshot download data and GASB 68 data from client to assist with calculation of net pension liability and deferred amounts.
- Obtain Other Post Employment Benefit (OPEB) actuarial valuations, as applicable, from client to assist with calculation of net OPEB liability and deferred amounts.
- Assist staff with summarizing lease and subscription-based information technology assets, as necessary.

Scope of Services (Continued)

- Inquire of staff whether there are any known transactions that may not have been recorded properly and propose adjustments as needed.
- Other assistance to prepare for the annual audit to be agreed upon during engagement planning.
- Journal entries will be provided to client staff in a standard format for entry into your accounting software system.
- Prepare documentation of all procedures performed for use by auditors.
- In coordination with auditors, assist with implementation of statements issued by the Financial and Governmental Accounting Standards Board.
- Assist with training staff on the above listed procedures, as desired.
- Additional accounting services as deemed necessary.

In addition, in advance of my services, I will provide a detailed client assistance listing request of required information. This list will include requests for:

- Contacts within and external to the Town from whom I can solicit information supporting the services I will provide.
- Specific schedules or general ledger reports that will be used to provide the information required for the services.

The auditors will continue to prepare the external financial report. We will make all known adjustments based on our historical knowledge of your organization and routine practices by local governments in the Commonwealth, however it is your responsibility to make us aware of any unusual or infrequent transactions so that we may record the underlying transactions appropriately.

All books and records of your organization will continue to be property of the Town, and you will be responsible for their maintenance and their accuracy. You agree to provide us access to your records, both electronic and manual, as needed to perform these duties. If on-site fieldwork is deemed to be required, you agree to provide adequate workspace and access to the internet to us. Prior to our start, we will establish a timeline for completion of these tasks. As work progresses, we will report to you periodically on our progress and any problems encountered. We will make every effort to coordinate with the auditors to ensure completion prior to their scheduled fieldwork.

It is understood that most, if not all, of our services outlined in this scope of services will be provided through remote work. It is critical that client staff be able to upload requested documents to us in an electronic format. It is imperative that source documents requested be uploaded to us in a timely manner so that they are available to us by our scheduled fieldwork start date in order that we can complete our work and meet deadlines of the auditors.

It is understood that due to the nature of this project, it is likely that we will have access to confidential information, and we understand that we are to maintain the confidential nature of that information through the employment of administrative, technical, and physical safeguards that are appropriate under the circumstances.

In compliance with my professional standards regarding independence, I will not provide any audit or other attestation services, as defined by professional standards, to the Town in conjunction with these accounting and consulting services.

Management Responsibilities

The Town's management and governing body is, and will continue to be, solely responsible for establishing and maintaining an effective accounting and internal control system, including, without limitation, systems designed to assure fair presentation of the Town's financial statements and compliance with policies, procedures, and applicable laws and regulations.

The Town's management and the governing body will also be responsible for establishing the scope of accounting and consulting services and providing the resources necessary for performance of the work; such responsibility includes determining the nature, scope, and extent of the accounting and consulting services to be performed by Mary K. Earhart PLLC, providing overall direction and oversight for each service, and reviewing and accepting the results of the work.

My engagement involves providing assistance in the preparation of the adjusted fund basis trial balances and supporting workpapers for the use of the external auditor. I will not issue a compilation report, in accordance with the Standards for Accounting and Review Services of the American Institute of Certified Public Accountants (AICPA), in conjunction with these adjusted trial balances and workpapers. Instead, I will use this engagement letter as documentation and confirmation of your understanding of the services to be performed and the limitations on the use of such adjusted trial balances and workpapers. In this regard, by signing this engagement letter, the Town's management acknowledges its understanding and acceptance of the following:

- That the adjusted trial balances are limited to presenting information that is the representation of the Town's management; and the work performed by Mary K. Earhart PLLC in preparing the adjusted trial balances cannot be relied upon to disclose errors, fraud, or illegal acts.
- That the adjusted trial balances will not be audited by Mary K. Earhart PLLC, and no opinion or any other form of assurance on the adjusted trial balances will be provided by Mary K. Earhart PLLC.
- That Town's management has knowledge about the nature of the procedures to be applied and the basis of accounting and assumptions to be used in the preparation of the adjusted trial balances.

Management is ultimately responsible for the fair presentation of the adjusted trial balances and management will make such representations to the external auditors.

Our Responsibilities

I am responsible for providing the accounting and consulting services requested, as defined in the Scope of Services section of this letter in accordance with the applicable professional standards of the AICPA. I may also report or otherwise communicate to the Town's management any recommendations I determine necessary resulting from the accounting and consulting services provided.

Engagement Administration, Fees, and Other

My fees will be based on the actual hours worked by the members of the engagement team and their respective billing rates. I make every effort to keep my fees to a minimum by using schedules, analyses, or reconciliations prepared by your staff. I will require assistance from management to provide documentation to support the accounting adjustments and schedules I will prepare.

New funds, component units, entities, or transactions requiring significant additional accounting services may be considered outside the scope of this proposal. In addition, changes in personnel or software that could impact the performance of my engagement would also be outside the scope of these services. Should I encounter situations that would require me to incur additional time, or to perform services outside the scope of my proposal, I will make every effort to notify you prior to incurring additional time.

Interim billings will be submitted as work progresses and as expenses are incurred and are payable upon presentation of my invoices. A service charge of one and one-half percent (1-1/2%) per month will be added to accounts receivable balances remaining unpaid 30 days after the original invoice date.

In accordance with firm policy, work may be suspended if your account becomes significantly overdue and will not be resumed until your account is paid in full. If I elect to terminate my services for nonpayment, you will be obligated to compensate me for all time expended and to reimburse me for all out-of-pocket expenditures through the date of termination.

In the event that Mary K. Earhart PLLC is required to respond to a subpoena, court order, or any other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate Mary K. Earhart PLLC at my standard hourly rates for the time we expend in connection with such response, and to reimburse Mary K. Earhart PLLC for all out-of-pocket expenses incurred in that regard.

My proposed fee for these services is \$200 per hour for my services, \$160 per hour for accounting manager, \$120 per hour for senior staff, \$100 per hour for associates, \$75 per hour for administrative staff and interns, plus travel (mileage reimbursement at current approved IRS business mileage rates per mile plus lodging and meals, as necessary, to be reimbursed under an accountable plan, with separate identification on invoice). I estimate the total fee to range from \$12,000 - \$16,000. We will submit invoices for payment as work progresses.

You acknowledge that I devote a substantial amount of time and resources to the hiring, retention, and training of employees engaged in the provision of services to my clients. Accordingly, I ask that you agree to the following. In the event that any of our employees accepts a position of employment with your Company, or any of its related parties at any time while I am performing services for you or within one year thereafter, you agree to compensate me in the form of a placement fee equal to 20% of the employee's annual compensation in effect on the date employment was contracted. This fee will be payable when the employee accepts such a position.

The term of this agreement is initially for one-year from the date hereof, however, it may be extended annually based on mutual agreement in writing by both parties. Should you become dissatisfied with my performance, you may terminate this agreement on demand, however, you will be responsible for payment for any services rendered to the point of termination.

You agree to hold me harmless and to release, indemnify, and defend me from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to me.

I appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign below, and return a copy to me.

Sincerely,



Mary K. Earhart
Certified Public Accountant
Member

Agreement Acceptance:

As an official representative of Town of Buchanan, Virginia, I hereby agree to the aforementioned terms.

Official

Title

Date