

# Assurance Services Proposal

For



July 25, 2019



Bernard Robinson & Company

Balanced. Responsive. Connected.



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Wade Pack, BRC Managing Partner

At Bernard Robinson & Company, we are prepared to meet your needs. We have dedicated ourselves to the highest standard of client service, expertise, and professionalism. Our Firm, established in 1947, was built on the philosophy of controlled growth through the building of a solid client base. We have never strived to be the largest, just simply the best. Bernard Robinson & Company has six offices which are located in Greensboro, Raleigh and Winston-Salem, Dunn, North Wilkesboro, Charlotte, North Carolina.

Our Mission Statement is:

*“To provide accurate, timely, creative, and comprehensive professional services to clients in order to assist them in realizing their objectives, to help enable the individuals in our firm to achieve their own personal goals, and to add to the well-being of our community.”*

We take pride in maintaining long-term relationships with our clients. Below are some of the key qualifications and differentiators clients have found that makes us particularly qualified to support their success:

### **BRC’s Qualifications and Profile**

For more than seventy years, Bernard Robinson & Company, L.L.P. (“BRC”) has provided growing businesses and other organizations with new ideas, financial expertise and valuable strategic advice. Our team of advisors brings a dedication to quality and personal service as well as a unique appetite for our clients’ success. We take pride in maintaining long-term relationships with our clients. Our first client has grown to be one of our largest.

In addition to our 170 employees, 82 of which are CPAs, all of whom are licensed to practice in the State of North Carolina and, often, other states as well, we are also a member of DFK International/USA Inc. (“DFK”). DFK’s mission is to facilitate the interchange of ideas, knowledge and information in an effort to provide the highest level of professional services to clients through a national and global network of independent public accounting firms. Since DFK’s formation in 1962, the association has grown to more than 200 firms, with over 400 offices in over 80 countries and currently is one of the most extensive networks of any international organization of public accounting firms. Through this association, the Firm has access to specific skills and expertise on various accounting, auditing and tax issues that may impact our clients, including governmental entities. It also allows for the interchange of technical and administrative ideas and information that assist our day-to-day management of the Firm, and provides our clients a national and international presence to address their needs.



## **BRC's Qualifications and Profile (Continued)**

Our Firm is a member of the AICPA Governmental Audit Quality Center. Through our membership, we receive updates on all important developments related to governmental audits. This membership is only available to those firms that meet rigid membership requirements specific to governmental audits, including those performed under Government Auditing Standards, the Uniform Guidance Audits under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and the State Single Audit Act. Additionally, engagement team member has extensive knowledge in performing governmental audits and understanding of specific reporting and accounting requirements of the Local Government Commission for entities located in North Carolina.

While working with the Towns of Carolina Beach, Kure Beach, Candor and Pleasant Garden and the City of Randleman and through past experience with several other Towns and Cities, Bernard Robinson & Company has provided auditing services to many governmental entities that perform similar programs, activities and functions as those provided by the Town of Holden Beach, NC. Although the many organizations we serve vary in size and industry, they are common in their needs for a full variety of professional services. These needs range from audits of financial statements, compliance audit of federal and state grant funds (if applicable), budgeting advice, strategic planning, computer assistance (limited to comply with governmental regulations for independence), and litigation support. Within the functional areas of financial accounting, our professionals are experienced in many types of governmental entities including: counties, cities and towns, boards of education and authorities. Collectively, we feel that we can bring these experiences to bear on any given situation.

As a matter of policy at BRC, we commit to provide continuity of service to our clients to the greatest extent possible. Where changes in engagement team members at the partner or manager level are necessary, we will discuss these matters with you and determine the appropriate new individual(s) to be assigned to the engagement based on particular experience, expertise, and engagement needs. Due to our low turnover rate in professional staff, which is less than 10% for the last three years, we can assure you that you will not be seeing a new face on your engagement each year.

Every three years, our Firm goes through a peer review process where our work on engagements is reviewed by an independent certified public accounting firm to comply with the AICPA Peer Review Program. As you can see from our last peer review report (attached) dated November 2017, we received a "passed" report. Every year, including the peer review years, management of the Firm performs internal inspections on our engagement files. This process is exactly the same as the peer review process, and involves management of the Firm reviewing the files of engagements that they were not responsible for completing.

Our Firm is a fully integrated CPA firm dedicated to assisting clients with growing, managing, and protecting their prosperity. Our strength with the middle market includes serving clients throughout the Southeast. We advise clients at all intervals of development—from initial start-up, to growth and expansion phases, and into unique transition phases.



## BRC's Differentiators

A few differentiators that make BRC the best choice:



- In 2018, BRC was again named as one of the Best Accounting Firms to Work for by *Accounting Today*.
- BRC was named as the #1 Best Employer for 2018 in North Carolina by *Business North Carolina*.
- BRC's number one priority is client service, not meeting budgeted hours or revenue streams.
- The Firm's tagline: **Balanced. Responsive. Connected.** is an extension of the Mission and Strategic Plan of BRC and is always a part of our Firm's client relationships.
- Firm employees are provided a positive work/life balance that promotes loyalty, a positive team environment, and employee retention.
- Firm employees are well-trained professionals, informed, actively involved in Firm developments and committed to always increasing technical skills.
- We provide our clients with monthly newsletters, informational blogs, accounting alerts and annual seminars to assist them in operating and developing their organizations and businesses.
- Firm employees are committed to numerous not-for-profit and community organizations as volunteers, members, and leaders.
- BRC is a member of DFK International/USA Inc. ("DFK"). DFK is an association of independent, full-service public accounting and consulting firms with offices serving major markets throughout the United States and globally. DFK facilitates the interchange of ideas, knowledge and information in an effort to provide the highest level of professional services to clients through a national and global association of independent public accounting firms with over 400 offices in over 80 countries. Through this association, the Firm has access to specific skills and expertise on various accounting, auditing and tax issues that may impact our clients.







### Number of People (Item 1)

Our Greensboro office will be responsible for meeting the needs of the Town of Holden Beach, North Carolina, as they relate to audit and accounting services. There will be two members on your proposed engagement team. The proposed engagement team that will perform the Town of Holden Beach, North Carolina’s audit (by level) consist of the following:

Partner	1
Manager	1
Senior Accountant	1
Staff Accountant	1

### Partner, Supervisory and Staff Qualifications and Experience

#### Partner: Victor Blackburn, CPA

Working with Governmental clients in audit and consulting capacities since 1990, Victor has had experience with a variety of different counties, cities, towns, boards of education and authorities. Below are some of those North Carolina-based Governmental clients:



- Boards of Education - Caswell, New Hanover, Brunswick, Carteret and Wake
- Towns and Cities - Carolina Beach, Kure Beach, Pleasant Garden, Randleman, Candor, Pilot Mountain, Concord, Sanford, Reidsville, Fuquay-Varina, High Point, Chapel Hill and Salisbury
- Counties - Cleveland and Mecklenburg
- Authorities - Orange County Water & Sewer Town, Housing Town of the Town of Beaufort and Salisbury

Examples of Victor’s diverse expertise include the following:

- Performance and review of financial statement audits and compliance audits for Governmental clients that have programs, activities and functions,
- analyzing accounting and internal control system in order to consolidate accounting functions while retaining adequate internal control,
- assisting clients with their initial and continued CAFR submission to ASBO and GFOA,
- assessment and development of procedures to assist entity’s personnel with budget preparation,
- assisting in the development and implementation of an internal audit department,
- operational and performance efficiency study for functions and programs,
- cost of services study,
- assessment of accounting policies and procedures manuals,
- forensic accounting,
- accounting assistance, and
- training and implementation of GASB 34 reporting model.



Victor is a member of GFOA. He was appointed to their Special Review Committee to review Comprehensive Annual Financial Reports submitted by governmental entities throughout the United States in hopes of being awarded the Certificate of Achievement for Excellence in Financial Reporting.

Victor is a member of the NCACPA and AICPA.

**Manager: Megan Craven, CPA**

Megan is a manager in our Firm's audit and accounting area since 2011 working with governmental clients and not-for-profit clients, many requiring compliance audits under Uniform Guidance. The following are some of the North Carolina-based governmental entities that Megan has worked with:



- Towns and Cities - Kure Beach, Candor and Pilot Mountain

Megan's responsibilities will include the day to day supervision of the engagement team's staff, ensuring performance of various audit sections in accordance with professional standards, and review of the Town's financial statements and audit communications (management letters, etc.).

Megan's knowledge of governmental audits includes the following:

- Familiarity with legal requirements associated with funds and investments, central depository accounts, property tax collections, inter-fund balances and transfers, bond offerings and related arbitrage requirements, and pension benefit obligations.
- Performance of audit procedures to financial statement audits and compliance audits associated with various federal and state grants.

As an active member of NCACPA and AICPA, Megan stays current on auditing, accounting and reporting issues and trends impacting Governmental clients.

**Senior Accountant: Connecia Brown, CPA**

Connecia Brown joined BRC in Oct 2018 as Senior Accountant. Before joining BRC, Connecia worked at another firm as an associate for 4 years. During her time at the other firm, Connecia spent a significant amount of time working on Affordable Housing, Governmental and employee benefits serving as the main contact and in charge role. Connecia will be the senior accountant in charge during the audit and will work with the manager to make sure that deadline and expectations are met. Connecia has experience working with the following governments: City of Winston-Salem, Town of Siler City, Piedmont Town for Regional Transportation, and Village of Pinehurst.



Connecia is also a member of the NCACPA and AICPA.



### Bernard Robinson & Company’s Governmental Audit Experience (Item 2)

As evidenced in this proposal, members of your engagement team have extensive knowledge in performing financial and compliance audits on various federal and state financial assistance programs. More important is that you have members on your proposed engagement team that have extensive knowledge in performing audits with unique accounting and reporting issues impacting programs, activities and functions of the Town of Holden Beach, North Carolina.

Our Firm is seeking quality client opportunities for expanding this practice sector, and currently has the following governmental audit clients:

Governmental Unit	Services
City of Randleman, North Carolina	Annual financial and compliance audits and drafting of the unit’s financial statement for management’s review and approval since 2013.
Town of Candor, North Carolina	Annual financial audits and drafting of the unit’s financial statement for management’s review and approval since 2013.
Town of Pleasant Garden, North Carolina	Annual financial audits and drafting of the unit’s financial statement for management’s review and approval since 2010.
Town of Kure Beach, North Carolina	Annual financial and compliance audits and drafting of the unit’s financial statement for management’s review and approval since 2011.
Town of Carolina Beach, North Carolina	Annual financial and compliance audits and drafting of the unit’s financial statement for management’s review and approval since 2015.

Below are governmental clients serviced by your engagement team and whose reports were approved by the Local Government Commission that you can contact for any detailed questions about our engagement team services and approaches:

**Town of Kure Beach**  
 Mr. Arlen Copenhaver  
 117 Settlers Lane  
 Kure Beach, North Carolina  
 910-458-8216

**Town of Candor**  
 Mrs. Tammy Kellis  
 P.O. Box 220  
 Candor, North Carolina  
 910-974-4221

**Town of Pleasant Garden**  
 Mr. Kim Payne  
 P.O. Box 307  
 Pleasant Garden, North Carolina  
 336-674-3002

**Town of Carolina Beach**  
 Mrs. Debbie Hall  
 1121 N. Lake Park Blvd  
 Carolina Beach, North Carolina 28428  
 910-458-5495





We limit the number of our governmental audit clients to ensure that each client receives the quality and timely service expected and deserved.

### **Additional Service Capabilities (Item 3)**

To complement our accounting and auditing services, the Firm offers assistance to its local governmental clients in general management and administration.

A listing of recent consulting services provided by personnel available to the Town of Holden Beach, North Carolina includes:

- ✓ Accounting Policies and Procedures Manuals
- ✓ Internal Control Evaluations
- ✓ Budget Preparation Assistance
- ✓ Operational and Performance Reviews
- ✓ Accounting Assistance
- ✓ Bond Related Agreed Upon Procedures
- ✓ Comprehensive Long-Range Information Systems and Telecommunications Study Involving Offices and Functions
- ✓ Forensic Accounting Related to Embezzlements or Allegations of Misappropriated Funds

### **Peer Review (Item 4)**

Every three years, the Firm complies with the AICPA Peer Review Program, most recently in November 2017. The result of the peer review is included in the package for your review.

In addition, several members of the Firm perform peer reviews of other CPA firms in and outside the state of North Carolina. Through performing these peer reviews, our clients have benefited through a vast knowledge of “best practices” from other firms’ experiences and resources about accounting and reporting issues.

### **Independence (Item 5)**

Each year, members of the Firm are required to have ethics continuing professional education training, no matter whether they are CPAs or not. From this training, members are reminded of their obligations to comply with independence issues impacting the Firm and our clients. Firm members are asked yearly about their knowledge of any independence issues related to our clients, which is reported to the Firm’s Human Resource Director. Any independence issues are communicated to the Firm’s partners for evaluation and resolution.

A copy of the Firm’s independence policy is included as follows:

#### Independence

*All Firm members are required to adhere to the independence rules, regulations, interpretations and rulings of the AICPA, the State Board of Accountancy, and the state CPA Society. The interpretations and rulings are contained in ET Section 101 of the AICPA Professional Standards Service and should be consulted when issues of independence arise.*



The Firm's current client list is available to all staff for their review to ensure they are aware of those entities to which the Firm's independence policies and procedures apply. During the year, the staff will be informed of any changes in the client list.

We assure you that we take our Firm's (and staff's) independence very seriously and will take any steps necessary to remain independent of the Town of Holden Beach, North Carolina.

### **Liability Insurance Coverage (Item 6)**

From prior knowledge of performing governmental audits, the Firm notes that minimum insurance coverage required for contractors providing services to the Town of Holden Beach, North Carolina are within the Firm's current coverage for worker's compensation, commercial general liability and automobile.

### **Regulatory Actions (Item 7)**

No known regulatory action by any oversight body has been filed against the Firm.

### **Additional Assistance (Item 8)**

Members of the engagement team has helped counties, cities, towns, boards of education and other local governmental organizations review or prepare draft reports that applied for and received the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting and/or ASBO Certificate of Excellence.

As noted previously, Victor Blackburn has also served as instructor for Continuing Professional Education Courses for staff members and clients and serves as a member of the GFOA's Special Review Committee to review Comprehensive Annual Financial Reports submitted by governmental entities wishing to be awarded the Certificate of Achievement for Excellence in Financial Reporting.

Each year, the engagement will schedule a meeting or conference call to discuss the current year's audit. In addition to this meeting, we will also discuss newly issued accounting standards that might be applicable to the Town's financial statements and/or operations (usually two years in advance of applicable).

We encourage our clients to call us with questions or concerns throughout the year. Most of the time, these inquiries are not charged as additional fees, unless it will take us significant time to perform what you are requesting. In that event, we will discuss additional fees at that time before any work is started, so the management of the Town can make an informed decision.



### Audit Fees (Item 9)

#### Audit Fee Quotations

Staff Member	Interim Work	On-Site Year-End Work	Auditor's Office Work	Total Hours	Average Rate Per Hour	Total Cost
Partner	1	-	3	4	\$362	\$ 1,448
Manager	2	4	4	10	238	2,380
Senior Accountant	10	50	11	71	171	12,144
Staff Accountant	-	33	-	33	130	4,290
Direct Expenses						2,000
<b>Total</b>	<b>13</b>	<b>87</b>	<b>18</b>	<b>118</b>		<b>\$ 22,262</b>
Less Discount						(5,262)
						<b>\$17,000</b>

#### Total all-inclusive maximum price:

	FY 2019	FY 2020	FY 2021
Base charge:			
Financial Audit(s)	\$15,000	\$15,500	\$16,000
Financial Statement Preparation	2,000	2,000	2,000
<b>TOTAL</b>	<b>\$17,000</b>	<b>\$17,500</b>	<b>\$18,000</b>

#### Basis/methodology of fee quote:

Based on review of the Town's June 30, 2017 financial statements, discussion with the Town's management, and prior experience with cities and towns we determined the engagement hours at our current billing rates. Higher cost associated with normal first year audit have been spread across the three-year contract.

The above fees are based on current Firm policy to give governmental and not for profit clients an off-season discount from standard billing rates. Proposed fees are based on an anticipated increase each year not to exceed 5%, assuming no significant changes in the scope of the audit.

Basis for determining fee quotes, which would be used in price negotiations after the initial three-year contract.

#### Factors used in determining any increases or decreases:

Engagement team will evaluate the total engagement hours associated with the audits (financials and compliance) and current billing rates to determine starting point for price negotiations. Engagement team and management then can sit down to determine how to potentially reduce engagement hours to reduce engagement fees, if deemed necessary.



These fees for the audit of the Town of Holden Beach include the following services:

- Financial statement audit.
- Travel and other related costs.
- Review of the annual financial statements and related notes.
- Assistance with the Town's submission for the GFOA certificate of Achievement for Excellence in Financial Reporting Program.
  - Preparation of management letter (if applicable).
- Preparation of any other applicable letters (e.g., communication with the Town relating to the conduct of the audit as required by *Government Auditing Standards*).
- Meetings with the Town's management to discuss planning, progress of fieldwork, audit reports, letters and suggestions.
- Meeting with the Town Council to present the results of the audit and review issued reports.
- Year-round consultation provided that no significant time is involved to respond or develop a solution.

### Additional Information:

#### Specific Audit Approach and Programs (Item 1)

The Firm uses audit programs developed by Thomson Reuters and published under "PPC Practice Aids". These audit programs will be modified to match specific risks identified during planning for the Town to comply with the auditing standards related to risk assessment and are a combination of standard government audit programs and government compliance audit programs, as well as the audit programs developed by the Local Government Commission in conjunction with independent CPA's. The program developed by the Local Government Commission adds other features to a financial audit and includes internal control questionnaires, which include specific references to North Carolina General Statutes' requirements associated with local government entities operating in the State of North Carolina. The Local Government Commission also provides compliance audit programs pertaining to federal and State award programs which clearly segregate audit responsibilities for specific compliance audit procedures between state auditors and local auditors. The tailoring of these audit programs will be accomplished prior to and during the preliminary phase of the audit.

The purpose of any audit program and workpaper is to document the required sufficient audit evidence necessary to develop a reasonable basis for an expression of an opinion on the Town's financial statements. Our audit approach complies with the auditing standards that require us to obtain an understanding of the Town's significant financial statement account balances and classes of transactions, as well as those associated with compliance requirements associated with federal and State award programs (if applicable), to identify potential risks of material misstatements that could affect each area, as well as the overall financial statements, assess those risks, select an audit approach that appropriately tailors our response to each risk impacting the audit and linking each assessed risk to audit procedures that appropriately address those risks. Your risk assessment will take into account the Town's materiality of significant account balances or classes of transaction, results of preliminary analytical procedures, information obtained from the engagement team about the Town and its environment which includes internal controls, consideration of potential fraudulent activities, and other relevant information necessary to identify and assess risks.



The Town's risk assessment process performed by the Firm is summarized below:

Assessment Area	Purpose
Significant Audit Area	<p>For each audit area, the engagement team will identify those areas considered significant. An audit area includes the related account balances, transaction classes, and disclosures at the financial statement level (each fund). An audit area is generally significant if it contains a significant transaction class, material account balance, fraud risk or other significant risk, or requires significant disclosures.</p>
Identified Risks/Assertions Affected	<p>Risk assessment for each audit area includes unique accounting or audit issues related to the client or specific risks related to matters such as related party transactions, subsequent events, significant estimates, or disclosures.</p> <p>Based on our understanding of the entity obtained when performing risk assessment procedures, any specifically identified risk that is of a magnitude that could result in material misstatement of the financial statements and the related assertion is documented to be addressed.</p> <p>It is a presumption that we will identify improper revenue recognition and management override of controls as significant risks due to fraud as a risk of material misstatement.</p>
Risk Assessment Documentation Approach	<p>Of the identified risks of material misstatements noted above, we will indicate which risks are significant risks of material misstatement and assess those risks at the relevant assertion level. For audit areas that are not significant, or for significant areas where we have not identified any specific risks, we may document the risk assessment for the audit area as a whole. If this is done, the risk assessment is assumed to be the same for all assertions and should be the highest level of risk for any assertion in the area. However, for significant audit areas where we have identified one or more specific risks, the risk assessment is documented at the assertion level. When documenting the risk assessment at the assertion level, an assessment is made and documented for each relevant assertion regardless of whether any identified specific risks related to that assertion. Consideration of the following assertions are used in making our risk assessments:</p> <ul style="list-style-type: none"> <li>Existence or Occurrence (E/O)</li> <li>Completeness (C)</li> <li>Rights or Obligations (R/O)</li> <li>Accuracy or Classification (A/CL)</li> <li>Valuation or Allocation (V)</li> <li>Cutoff (CO)</li> </ul>





Assessment Area	Purpose
Inherent and Control Risk Assessment	Document the assessed level of inherent risk and control risk as high, moderate, or low for each assertion. This assessment is based on our understanding of internal control and if applicable, the results of tests of controls performed during planning.
Audit Approach	<p>Select the audit approach that is appropriate to respond to the risk assessment. Possible audit approaches used by the engagement team are as follows:</p> <p>Limited Procedures—Preliminary analytical procedures, other risk assessment procedures, and final analytical procedures are considered sufficient to address the related assertions for these areas.</p> <p>Basic Procedures—Basic procedures in this core audit program are deemed sufficient to address these assertions and include primarily substantive analytical procedures and certain tests of details, many of which are required by the SASs.</p> <p>Extended Procedures—Procedures in the basic procedure core audit program will be supplemented by one or more extended or other audit procedures. If this approach is selected, appropriate extended procedures will be developed or selected to respond to the risks at the relevant assertion level.</p>

Selection of audit procedures used to obtain required audit evidence necessary to address each significant risk identified by the engagement team involves considerable judgment in many cases. Effectiveness and efficiency are part of that process, but overall audit testing to address the assertions for each identified risk is of primary importance to the engagement team. The engagement team is responsible for selection of the audit approach that is best suited to the overall engagement.

The detailed audit procedures selected by the engagement team serves to direct the efforts of the engagement team in the execution of the audit, document audit work performed and conclusions reached from work performed, identify potential internal control issues to be addressed with management and the Town, and facilitate the review of overall workpapers.

Similar risk assessment processes will be performed on the Town's major federal and State award programs (if applicable), but will be focused on the risk of noncompliance with applicable compliance requirements associated with each award, as well as the overall noncompliance with laws and regulations of the Town that might impact the financial statements.

## Statistical Sampling and Internal Control Testing (Item 2)

The Firm will use sampling methods utilized by its PPC Practice Aids for selecting the Town's documents for testing. Those methods consist of selecting a sample using individually significant items, or the haphazard, random or systemic approach. The sample sizes and selection method will be determined based on the Firm's assessment of the Town's control and inherent risk, amount and volume of transactions and complexity of obtaining documentation.

Internal control testing will be performed on selected financial areas of the Town that relate specifically to identified compliance requirements associated with the Town's major federal and State award programs (primarily Allowable Costs and Allowable Activities) to reduce the risk of material misstatement and noncompliance with applicable compliance requirements below maximum. Other identified compliance requirements that are not directly associated with financial areas of the Town (ex. Eligibility) will also have internal testing performed to determine potential risks associated with the awards and related sample sizes.

## Computer Audit Specialist (Item 3)

A. Ben Hunter III, CPA, CISA, CRISC, CFE, Manager, Risk Advisory Services is a Manager in our Firm's Risk Advisory department and has over 6 years of experience in public accounting and IT Risk Advisory. He specializes in Cybersecurity and Information Technology Audits and Assessments. Ben began his cybersecurity career in the US Marine Corps. After his service, Ben went to UNC Greensboro and earned his Master of Science in Accounting. After becoming a Certified Public Accountant, he continued his cybersecurity and IT Audit training by obtaining the ISACA certifications: Certified Information Systems Auditor (CISA) and Certified in Risk and Information Systems Control (CRISC). Ben is also a Certified Fraud Examiner (CFE). Ben's unique perspective into the financial and information technology worlds allows him to communicate the technology risks in clear language for the decision makers.



Ben has experience performing and evaluating various Cyber assessments and Information Technology Audits, including:

- Cybersecurity Risk and Control Assessments,
- HIPAA Security and Privacy Audits,
- Social Engineering / Phishing training / Security Awareness training,
- Ransomware Prevention, Detection and Awareness training,
- Business Continuity Planning / Disaster Recovery (BCP/DR) planning and testing
- IT Internal Audits,
- Sarbanes-Oxley (SOX) Control Testing,
- Systems Vulnerability Scanning Assessments,
- Vendor Security Assessments,
- Wireless Communications Vulnerability Assessments



Ben will assist us in documenting the computer control policies and procedures used by the Town that will assist us in planning the engagement. Ben is primarily responsible for planning, developing, implementing, and supporting information technology solutions. Ben is involved with project management, business continuity planning, process improvement, and training Firm staff and clients. He supports the audit function with client IT control and security assessments, accounting data extraction and analysis. He also provides technology consulting services including support for computers and networks, and accounting software.

Ben's continuance on the engagement will be based on the complexity of the Town's system and the audit information needed, as determined by the engagement team, to comply with professional standards.

In addition to Ben's participation in the development of the Town's computer processes and controls, Ben will assist the engagement team in converting data files requested during the audit to a database that is used by the engagement team to select items for the audit to test (such as major transactions, journal entries, etc.) and to identify unusual items that might require more in-depth examination or understanding.

#### Audit Team Organization and Percentage of Time (Item 4)

We anticipate that the audit of the Town of Holden Beach, North Carolina would be segmented timing (interim, fieldwork and final) and team member. Our anticipated segmentation of the audit, by hours, is as follows:

	Partner	Manager	Senior Accountant	Staff Accountant	Total
Interim:					
Engagement planning and preliminary fieldwork	1	2	10	-	13
Fieldwork:					
On-site financial audit and compliance testing	-	4	50	33	87
Final:					
Draft of reports and financial draft review	3	4	11	-	18
<b>Total hours</b>	<b>4</b>	<b>10</b>	<b>71</b>	<b>33</b>	<b>118</b>

The engagement team time estimates, in percentages, are as follows:

	Partner	Manager	Senior Accountant	Staff Accountant	Total
<b>Totals</b>	<b>4</b>	<b>8</b>	<b>60</b>	<b>28</b>	<b>100</b>



## Management Letter (Item 5)

Any material weaknesses or significant deficiencies identified for the Town's internal controls over financial reporting and on compliance and other matters related to GAS audits are required to be reported in a separate letter that is issued as part of your financial audit.

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.

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.

Management letters issued by the Firm will include any deficiencies that do not meet the requirements of a material weakness or significant deficiency and other operational suggestions identified during the audit for management's analysis and discussion.

## Town's Staff Assistance (Item 6)

During the planning process of the engagement, the Firm will obtain a detailed understanding of the Town's internal control structure and overall accounting policies and procedures. From this understanding, the engagement team will determine the specific risks associated with the Town's financial statement audit that will be addressed during the audit. Through the determination of these risks, the Firm will develop a Prepared by Client ("PBC") list that is unique to the Town, requesting assistance from the Town in preparing for the audit. The Firm will review and discuss the PBC list with the Town's management to ensure complete understanding of the information being requested and the availability of the information to meet the Town's reporting deadline of October 1<sup>st</sup>.

For the first year of the audit, the engagement team will plan on testing the opening balances of some of the most significant areas of the Town in May/June 2018. With the skills, qualifications and ability of the Town's staff, we will work with the Town to design workpapers to be prepared by your staff to ensure the most efficient audit possible to meet your deadlines, but only if determined that those schedules and reports used by the Town during their normal financial closing process would not provide the necessary audit evidence needed to opine on the Town's financial statements.

Based on the assistance listed within the RFP, we do not believe the Town will need to provide additional assistance. However, if additional assistance is deemed necessary we will discuss prior to the start of the audit.



**Audit Timeline (Item 7)**

	2019		
	August	September	October
Understand the Town and Your Organization: Identify processes and controls for material accounts and significant transaction cycles (including various federal and State award programs, if applicable). This also includes meeting with those in charge of governance to discuss the audit process and potential concerns that could impact the audit process.	✓		
Assess Overall Controls: Assign control and inherent risk factors to identified controls to assess risk of material misstatements.	✓		
Determine Nature and Extent of Testing: Develop overall planning for risk of material misstatements identified during planning and steps to address those risks (including development of the PBC request list).	✓		
Tests of Controls: Perform testing on various controls identified for material accounts and significant transaction cycles to support our planned assessments for control risk. This phase includes performing required compliance testing on major federal and state financial assistance programs as required by Single Audit, if applicable.	✓		
Substantive Testing: Perform audit testing on information provided by the Town's personnel from the PBC requested workpapers and completion of the open compliance testing items.		✓	
Management Wrap-up Meeting: Summarize and discuss potential control weaknesses and compliance findings identified during the audit (if any) to ensure all pertinent information has been reviewed and addressed.		✓	
Review Draft Financial Statements with note disclosures and draft the audit reports and compliance section reports and schedules.		✓	
Release of Final Financial Statements and Opinion: Face to face meeting to discuss various reports, management's responses to findings and any other open items.			✓





	2019		
	August	September	October
Meeting with Management and the Town's Finance Committee and Board at end of audit, time to be determined: to discuss the audit results and reports issued.			✓

### Technical Review

In order to meet the Town's time line of starting the audit the end of August and having the drafted financials statements available to the Town by the first of October, technical reviews of the workpapers and financial statements will occur throughout the week, as sections are completed. The engagement team's partner and manager will be onsite the Friday of that week to wrap up any open sections or items and meeting with management of the Town to discuss any open items and audit results to determine the appropriate resolutions and overall timing of supplying drafts for review and acceptance.



## Peer Review

Our Firm complies with the AICPA Peer Review Program and has a peer review performed on our accounting and auditing practice every three years. Our most recent published peer review was performed in November 2017. In addition, several members of the Firm perform peer reviews of other CPA firms in and outside the State of NC. Through knowledge gained in performing these peer reviews; we have been able to identify "best practices" from other firms' experiences and resources about accounting and reporting issues.



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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

November 15, 2017

To the Partners of Bernard Robinson & Company, L.L.P. and the Peer Review Committee of the NCACPA.

We have reviewed the system of quality control for the accounting and auditing practice of Bernard Robinson & Company, L.L.P. (the firm) in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

#### Firm's Responsibility

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

#### Peer Reviewer's Responsibility

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

#### Required Selections and Considerations

Engagements selected for review included audits under *Government Auditing Standards*, compliance audits under the Single Audit Act and audits of employee benefit plans.

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

#### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Bernard Robinson & Company, L.L.P. in effect for the year ended May 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency, or fail. Bernard Robinson & Company, L.L.P. has received a peer review rating of pass.

*Potter & Company, P.A.*

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