

(It is preferred that the Bid Response use this Form, however, the City reserves the right to accept Bids which provide the necessary information without using this form)

RFP # 20-06 AUDIT SERVICES

I, Harold S. Ray, hereby representing
(Agent Submitting RFP)

CliftonLarsonAllen, LLP, have read and reviewed the attached specifications.
(Firm or Company)

I state the hereby offer meets or exceeds all requirements. Please note that Exhibit 1 and all other required information must be attached.

CliftonLarsonAllen, LLP
Company Name
801 Felix Street
Address
St. Joseph, MO 64501
City/State/Zip
816-232-8441
Telephone
41-0746749
Tax ID No.

Harold S. Ray
Authorized Person (Print)

Signature
Signing Director
Title
5/8/2020
Date
harold.ray@claconnect.com
E-Mail Address

State the name, address and telephone number of not less than three (3) customers for whom the Contractor has performed similar Service within the last two (2) years:

See "References" section of attached addendum to RFP for contact information:

1) City of Pleasant Hill, MO 2) Buchanan County, MO 3) City of Savannah, MO

The above said Company shall provide the materials and services clean up, and insurance requested for the goods and services of RFP #20-06 for a cost to the City of Smithville as follows:

Item Description	Bid Price
October 31 st , 2020 financial statement audit	See "Professional Fees" section of attached addendum
October 31 st , 2021 financial statement audit	See "Professional Fees" section of attached addendum
October 31 st , 2022 financial statement audit	See "Professional Fees" section of attached addendum

Create Opportunities



May 8, 2020

**Proposal to provide professional
audit services to:**

City of Smithville

RFP #20-06 Audit Services



Prepared by:
Harold Ray, Signing Director
Harold.ray@CLAconnect.com
816-671-8924

CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**



CLA (CliftonLarsonAllen LLP)
801 Felix Street
St. Joseph, MO 64501
816-232-8441 | fax 816-232-6768
CLAconnect.com

May 8, 2020

Daniel Toleikis
City of Smithville
107 W Main Street
Smithville, MO 64089

Dear Daniel Toleikis:

Thank you for inviting us to propose our services to you. We gladly welcome the opportunity to share our approach to helping the City of Smithville (the City) meet its need for professional services. The enclosed proposal responds to your request for financial statement audits of three fiscal years, beginning October 31, 2020.

We are confident that our extensive experience serving similar governmental entities, bolstered by our client-oriented philosophy and depth of resources, will make CLA a top qualified candidate to fulfill the scope of your engagement. The following differentiators are offered for the City of Smithville's consideration:

- **Industry-specialized insight and resources.** As one of the nation's leading professional services firms, and one of the largest firms who specialize in the public sector, CLA has the experience and resources to assist the City with their audit needs. In addition to your experienced local engagement team, the City of Smithville will have access to one of the country's largest and most knowledgeable pools of public sector resources.
- **OMB Uniform Guidance (UG) experience.** CLA performs single audits for hundreds of organizations annually, **ranking top in the nation for the number of single audits performed by any CPA firm.** The single audit requires a specific set of skills in order to properly perform the procedures. As such, we have developed a group of professionals who specialize in providing single audit services.
- **Strong methodology and responsive timeline.** In forming our overall audit approach, we have carefully reviewed the RFP and other information made available and considered our past experience performing similar work for other municipalities. In addition to our local government clients, we currently serve more than 3,450 governmental organizations nationally. Our staff understands your complexities not just from a compliance standpoint, but also from an operational point of view. We have developed a work plan that takes into consideration your unique needs as a governmental entity in Missouri. The work plan also minimizes the disruption of your staff and operations, and provides a blueprint for timely delivery of your required reports.
- **Communication and proactive leadership.** The City will benefit from a high level of hands-on service from our team's senior professionals. We can provide this level of service because, unlike other national firms, our principal-to-staff ratio is similar to smaller firms – allowing our senior level professionals to be involved and immediately available throughout the entire engagement process. Our approach helps members of the engagement team will stay abreast of key issues at the City, and take an active role in addressing them.
- **A focus on providing consistent, dependable service.** We differ from other national firms in that our corporate practice focuses on the needs of non-SEC clients, thus allowing us to avoid the workload compression typically experienced by firms that must meet public companies' SEC filing deadlines. CLA is organized into industry teams, affording our clients with specialized industry-specific knowledge

supplemented by valuable local service and insight. Therefore, the City will enjoy the service of members of our state and local government services team who understand the issues and environment critical to governmental entities.

We are confident that our technical approach, insight, and resources will result in unmatched client service for the City of Smithville.

We are eager to work with you and welcome the chance to present our proposal to the Board of Aldermen or entire management team. If you have any questions about our offerings, please do not hesitate to contact me via phone at 816-671-8924 or email Harold.Ray@claconnect.com

Sincerely,

CliftonLarsonAllen LLP



Harold Ray,
Signing Director

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Executive Summary

Why should the City of Smithville choose CLA?

With CLA by your side, you can find everything you need in one firm. We know your industry, and we want to know you.

We have strong leadership and talent, commitment, and enthusiasm to provide our governmental clients excellent service in a cost-effective manner. We commit to providing you a high level of personalized, responsive service. Communication is as important to us as it is to you.

Create opportunities

We understand your most important needs are:

- **A proposed team of professionals carefully-selected for compatibility with the City's needs and circumstances.** Your service team understands the strategic, operational, and regulatory issues impacting your organization. These professionals dedicate a substantial percentage of their time assisting the City with financial, regulatory, and information security matters.
- **Diversity and inclusion.** We are dedicated to building a diverse and inclusive culture that thrives on different beliefs and perspectives. Our diversity and inclusion council identifies strategies that foster and support the many dimensions of diversity within the firm. When we embrace an inclusive culture, we can truly know and help each other and our clients — that's how we create opportunities together.
- **Efficiency.** Our goal is to provide exceptional client service at the lowest possible cost. A well-planned and well-executed engagement by an experienced service team will minimize disruption to your staff and enable timely completion of all deliverables.
- **Experience and continuity.** Each engagement team member has in-depth experience in governmental accounting, auditing, or tax matters. We will commit the necessary resources to provide quality client service and timely report delivery. We have an extensive local and national state and local government practice from which to draw resources.



Innovation at CLA

Artificial intelligence, machine learning, cryptocurrencies, and other technologies are disrupting the way we all do business. Disruption creates the need for innovation; innovation is an opportunity to improve the way we do our work and interact with you. Our entrepreneurial culture requires us to embrace change wherever we find it, learn from it, and create solutions designed to make interactions easier, more transparent, and more seamless.

We use a combination of technical and non-technical means to improve efficiency, enhance quality, and make your experience better.

As your organization continues to innovate, we're doing the same by continually increasing our knowledge of you and understanding of your industry so we can help you address the business issues you face.



Innovation at CLA is a purposeful approach to problem-solving that transforms technology into better experiences for our clients.

The CLA Seamless Assurance Advantage

The CLA Seamless Assurance Advantage (SAA) is an innovative approach to auditing that utilizes leading technologies, analytics, and audit methods to help solve client problems and create a seamless experience.



A different approach

SAA is unlike any conventional audit process. SAA does not depend on physical location. It reduces the time our professionals spend on site, creates fewer disruptions, enables more efficient use of resources (yours and ours), and allows for more impactful interactions with your people.



Insights through analytics

CLA uses strategic data analysis to examine whole data sets to gain a deeper understanding of your organization. Insights that were once impossible can now come into focus to help you measure performance, enhance strategic decision making, and understand your competitive opportunities.



Effective technology

CLA embraces technologies that help solve client problems and create a seamless experience. Assurance Information Exchange (AIE) is a web-based application, developed by CLA, to digitally request and obtain audit documents through a secure and efficient online portal.

Firm Overview

Create opportunities

CLA exists to create opportunities for our clients, our people, and our communities through industry-focused wealth advisory, outsourcing, audit, tax, and consulting services. Our broad professional services allow us to serve clients more completely — from startup to succession and beyond.

Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With more than 6,200 people, more than 120 U.S. locations, and a global affiliation, we bring a wide array of approaches to help clients in all markets, foreign and domestic.



With CLA by your side, you can find everything you need in one firm.



Understanding Your Industry

Governmental experience

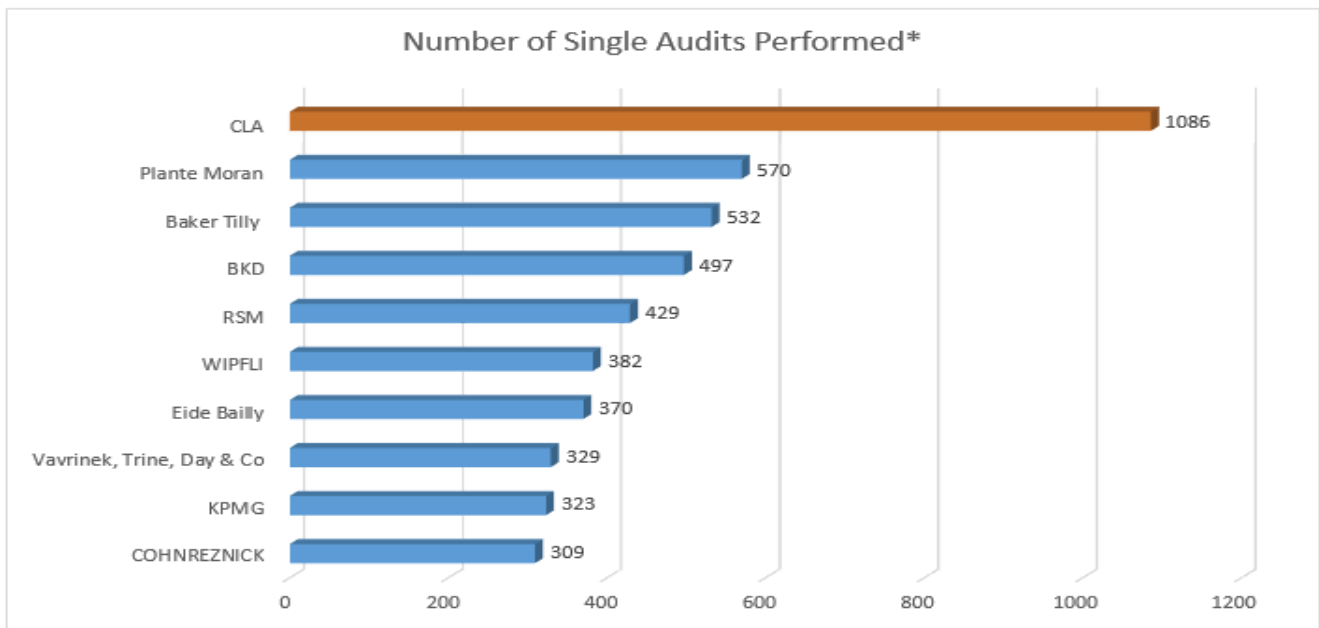
CLA offers the credibility, reputation, and resources of a leading professional services firm — without sacrificing the small-firm touch. We bring unsurpassed levels of technical excellence, commitment, and dedication to our clients, which have made us one of the most successful professional service firms serving governmental entities. Our strong reputation for serving state and local government units provides City the confidence in their decision to select CLA as their professional service provider.

CLA has one of the largest governmental audit and consulting practices in the country, serving more than 3,450 governmental clients nationwide. Public sector clients represent approximately one-quarter of all firm-wide revenue, and each of the government services team members are thoroughly versed in the issues critical to complex governmental entities.

Our professionals have deep, technical experience in serving governmental entities. As a professional service firm experienced in serving state and local units of government, we are very aware of the financial and legal compliance requirements that government officials are faced with daily. This creates complexities and service issues within a unique operational and regulatory environment. Because of our experience, we have become adept at providing our clients with insights in this environment not typical of other professional service firms.

Single audit experience

CLA has become the national leader in providing audit, tax, and many other financial services to government entities similar to City. Our client portfolio of nonprofit, government, and health care institutions represents nearly half of the firm's total revenues. The chart below illustrates CLA's experience in serving organizations that receive federal funds and demonstrates our firm's dedication to serving the government and nonprofit industry. **CLA performs the largest number of single audits in the United States! We audited nearly \$56 billion dollars in federal funds in 2018.**



*The information for the firms above was pulled from the Federal Audit Clearinghouse for audits with fiscal year ends between January 1, 2018 – December 31, 2018.



In the current environment of increased oversight, it is more important than ever to find qualified auditors who have significant experience with federal grants specific to the City and can enhance the quality of the single audit. Therefore if needed, the single audit will be performed by a team of individuals who are managed by personnel who specialize in single audits in accordance with OMB's *UG* and who will offer both knowledge and quality for the City. As part of our quality control process, the single audit will be reviewed by a firm Designated Single Audit Reviewer.

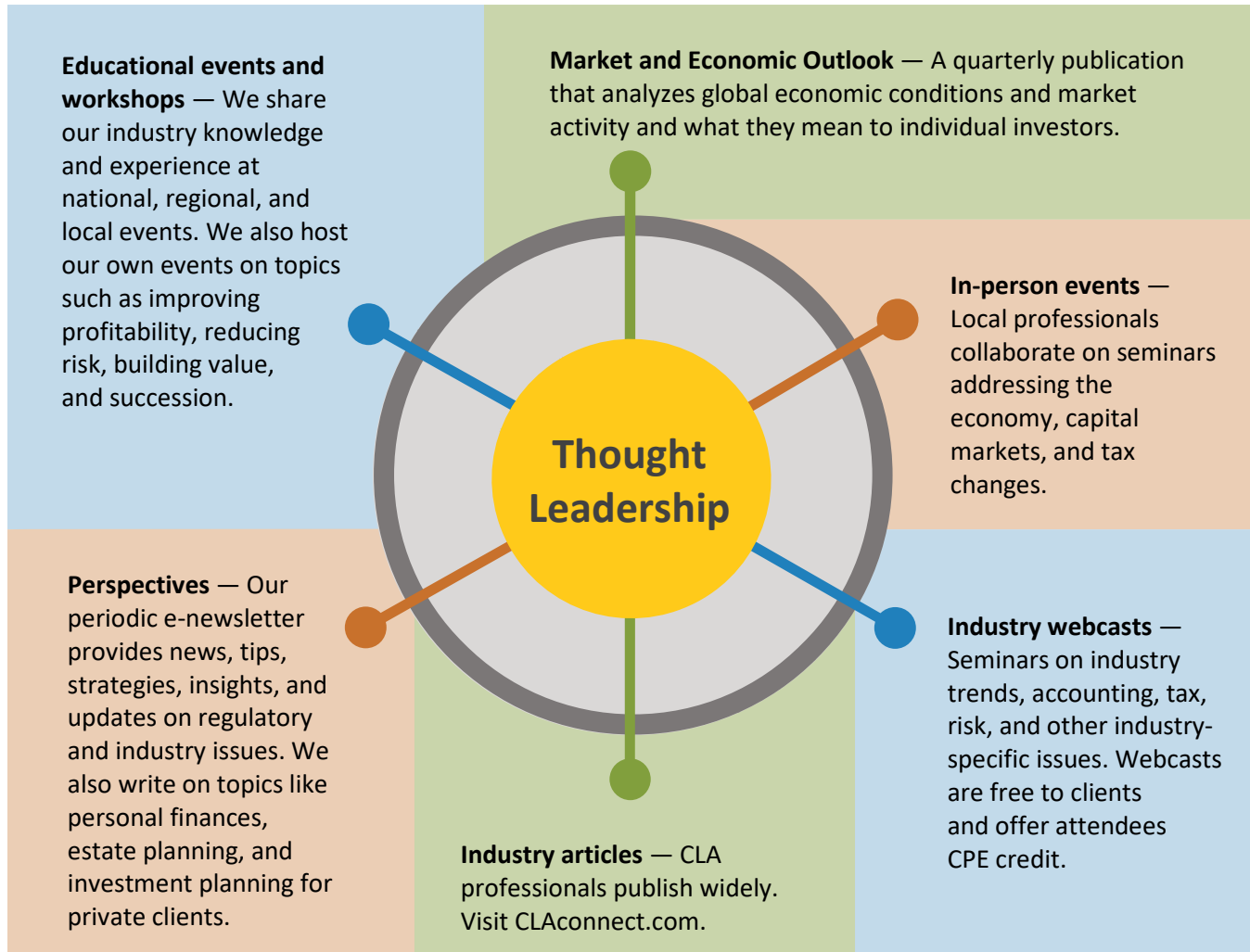
The AICPA clarified auditing standard, AU-C 935 "Compliance Audits" requires risk-based concepts to be used in all compliance audits including those performed in accordance with OMB *UG*. Our risk-based approach incorporates this guidance.

City needs an audit firm experienced in performing single audits and a familiarity with the specific programs in which you are involved. You will benefit from CLA's experience in this area!



Industry participation

CLA actively supports industry education as a thought leader and industry speaker. Our firm focuses on supporting the educational needs of the industry through nationally sponsored trade events. Our team of state and local government professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations.



Additional services

In addition to the services outlined in this proposal, CLA collectively offers a wide breadth of highly-customized services and capabilities to meet our clients' wants and needs, including a sampling of the following:

- Forensic audits
- Internal audit, risk assessments, and evaluations
- Implementation assistance for complex accounting standards
- ACA Reporting
- Operational and financial systems consulting
- Operations and performance improvement
- Self-insured medical and PBM claim audits
- IT security and network vulnerability assessments
- Fraud risk assessment and investigations
- Strategic, financial, and operational consulting
- Outsourced accounting and public administration
- Strategic, business, and capital planning
- Organizational and financial health assessment
- Training and educational seminars
- Telecom cost savings assessments

We pride ourselves on taking the initiative to meet each and every need of our clients, and therefore are always prepared to take on additional projects. However, independence is our first concern when providing additional services. Independence can easily become impaired when providing consulting services; therefore, we do not provide any services to our audit clients beyond those allowed.

If additional work is requested by the City outside of the scope of the audit, we will discuss with you our proposed fee for additional services prior to beginning the new services.



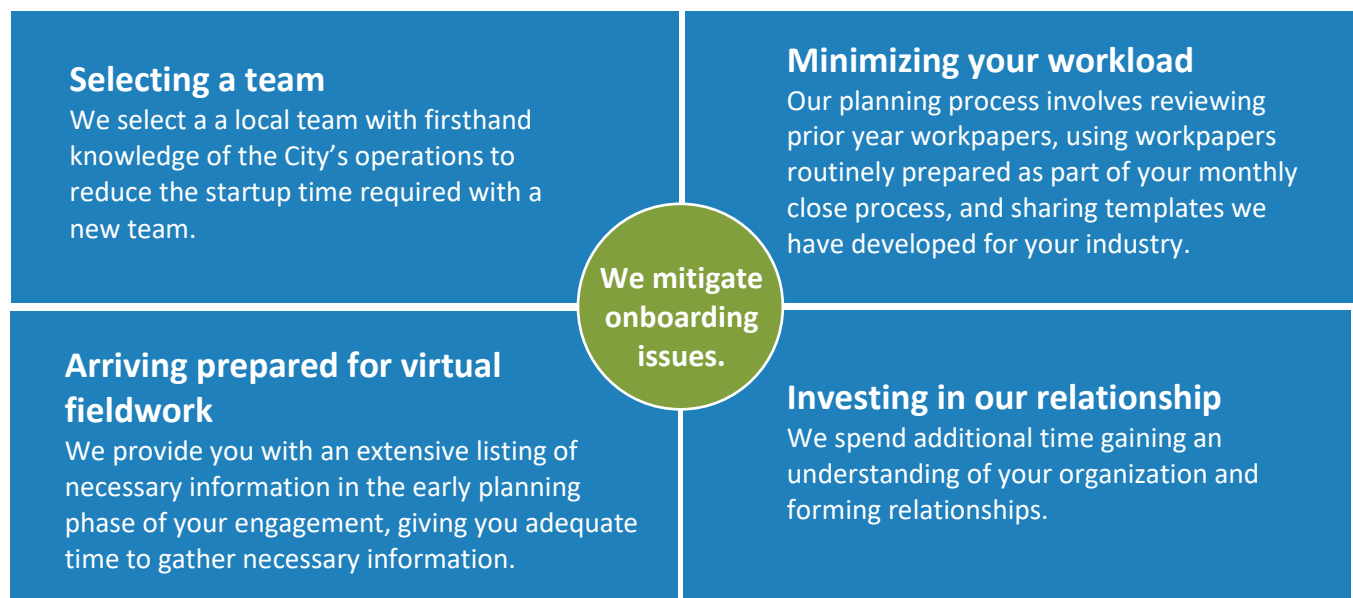
Services Approach

Seamless assurance advantage: a different way to audit

Many organizations view an audit as a requirement that doesn't contribute to their overall operations or value. At CLA, we believe an audit should be an annual check-up that gives you insight into your organization, allowing you to take advantage of opportunities and improve your operations.

Our industry experience makes it easier. CLA auditors are industry aligned, making our audit process fast and smooth. We focus on operational efficiency and leverage our industry experience to bring you meaningful insights that go beyond compliance requirements. A dedicated team of professionals will listen to your goals and concerns, then work with you to navigate industry pressures, changing markets, and complex standards, all with a common goal to drive your business toward success.

Your time has value. We recognize that you and your teams' day is filled with competing priorities and constant distractions. We elevate your experience by utilizing a variety of communication mediums, such as a web-based document portal, video conferencing, email, and phone calls, to keep everyone informed and on track. These mediums provide ultimate flexibility so that you can choose where and how your audit is performed. In contrast to a traditional engagement, where a team spends weeks on site at your location, our Seamless Assurance Advantage focuses on having the right team members on your engagement and isn't dependent upon any physical locations.



No surprises. We will provide the City with a **no surprises** approach to our services, based on frequent and timely communication and clarity around roles and expectations. If and when issues arise during the course of your audit, we engage the right people in a frank discussion to resolve them.

Significant involvement of principals and managers. Because our principals and managers are directly involved in your engagement, we can proactively identify significant issues and resolve them with your management. We believe that your time is best spent with key decision makers so that you can ask clarifying questions, discuss organizational strategies, and navigate sensitive reporting issues.



We tailor the audit just for you. While our audit programs provide typical approaches for given audit areas, CLA designs a client-specific, risk-based audit approach for each client. We use custom, industry-tailored programs, procedures, and tools that are designed specifically to focus on the issues that are applicable to local municipalities.

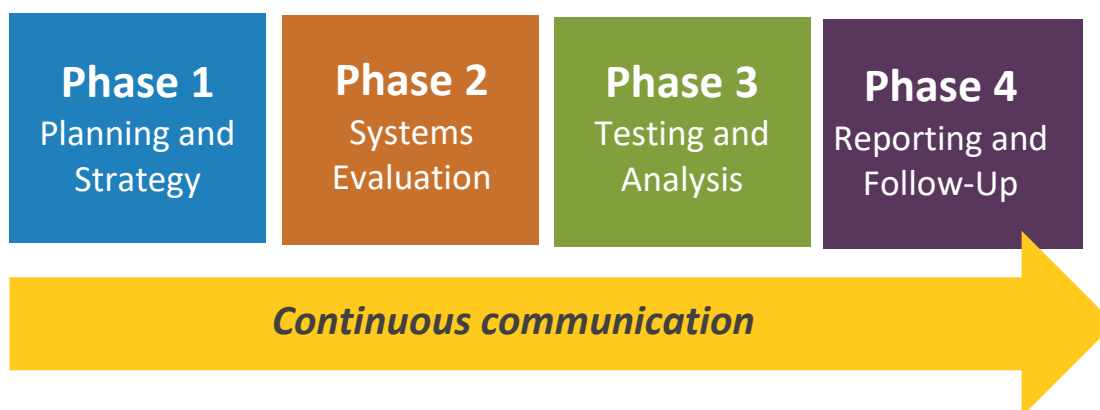
You'll learn about what we're doing and what we've found in plain, everyday language. We believe our services can contribute to better business and administrative practices. By working closely with your staff, CLA continuously learns about your organization. This involvement enables us to offer you recommendations for improvements in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.

When performing an audit, we are sensitive and understanding of the fact that we report to those charged with governance. We maintain objectivity and independence in order to be able to issue our audit opinions. We will act within our philosophy of total client service, maintain the professional relationship refined with management, and fulfill our responsibilities with the utmost professionalism.

Year-long support. We encourage your staff to take advantage of our accessibility throughout the year for questions that may arise. Our people, working with you and your staff, can provide proactive advice on new accounting or GAAP pronouncements and their potential impact; help with immediate problems including answers to brief routine questions; and share insights and best practices to assist you in planning for your future success.

Financial statement audit approach

We will conduct our audit in four primary phases, as shown below.



Phase 1: Planning and Strategy

When performing an audit, we are sensitive to and understanding of the fact that we report to those charged with governance. We maintain objectivity and independence in order to be able to issue our audit opinions. We will act within our philosophy of total client service, maintain the professional relationship refined with management, and fulfill our responsibilities with the utmost professionalism.

The main objective of the planning phase is to identify significant areas and design efficient audit procedures. We will accomplish our planning by following the methodology below:



- Conduct an entrance meeting with the City – Harold Ray and staff will meet with City personnel to mutually agree on an outline of responsibilities and timeframes.

The agenda will include but not be limited to the following:

- Establish audit approach and timing schedule
 - Assistance to be provided by City personnel
 - Application of generally accepted accounting principles
 - Initial audit concerns
 - Concerns of the City's management
 - Establishment of report parameters and timetables
 - Progress reporting process
 - Establish principal contacts
- Gain an understanding of the operations of City, including any changes in its organization, management style, and internal and external factors influencing the operating environment. We will utilize reference materials such as the budget and related materials, organizational charts, manuals and programs, financial, and other management information systems
 - Identify significant accounts and accounting applications, critical audit areas, significant provisions of laws and regulations, and relevant controls over operations
 - Determine the likelihood of effective Information Systems (IS) - related controls
 - Perform a preliminary overall risk assessment
 - Confirm protocol for meeting with and requesting information from relevant staff
 - Establish a timetable for the fieldwork phase of the audit
 - Determine a protocol for using Interactive Data Extraction and Analysis (IDEA), our data extraction and analysis software, to facilitate timely receipt and analysis of reports from management
 - Compile an initial comprehensive list of items to be prepared by the City and establish mutually agreed upon deadlines

We will document our planning through preparation of the following:

- ✓ **Entity Profile.** This profile will help us gain an understanding of City activities, organizational structure, services, management, key employees and regulatory requirements.
- ✓ **Preliminary Analytical Procedures.** These procedures will assist in planning the nature, timing and extent of auditing procedures that will be used to obtain evidential matter. They will focus on enhancing our understanding of the financial results, and will be used to identify any significant transactions and events that have occurred since the last audit date, as well as to identify any areas that may represent specific risks relevant to the audit.
- ✓ **General Risk Analysis.** This will contain our overall audit plan, including materiality calculations, fraud risk assessments, overall audit risk assessments, effects of our IS assessment, timing, staffing, client assistance, a listing of significant provisions of laws and regulations and other key planning considerations.
- ✓ **Account Risk Analysis.** This document will contain the audit plan for the financial statements, including risk assessment and the extent and nature of testing by assertion.
- ✓ **Prepared by Client Listing.** This document will contain a listing of schedules and reports to be prepared by City personnel with due dates for each item.
- ✓ **Assurance Information Exchange.** CLA utilizes a secure web-based application to request and obtain documents necessary to complete client engagements. This application allows clients to view detailed information, including due dates for all of the items CLA is requesting. Additionally, clients have the ability to attach electronic files and add commentary related to the document requests directly on the application.



One of the key elements in the planning of this audit engagement will be the heavy involvement of principals and managers. We will clearly communicate any issues in a timely manner, and will be in constant contact with the City as to what we are finding and where we expect it will lead.

We will develop our audit programs during this phase. Utilizing the information we have gathered and the risks identified we will produce an audit program specifically tailored to the City. This program will detail by major section the nature and types of tests to be performed. We view our programs as living documents, subject to change as conditions warrant.

Phase 2: Systems Evaluation

During the systems evaluation phase, we will gain an understanding of the internal control structure of City for financial accounting and relevant operations. Next, we will identify control objectives for each type of control that is

material to the financial statements, and then identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. Finally, we will determine the nature, timing, and extent of our control testing and perform tests of controls. This phase of the audit will include testing of certain key internal controls:

- Electronic data, including general and application controls reviews and various user controls
- Financial reporting and compliance with laws and regulations

We will test controls over certain key cycles. One audit efficiency initiative is to rely heavily on internal controls when appropriate, and to creatively look at internal control testing to make it as efficient as possible. This means not routinely performing detailed tests of transactions using large samples. We first seek to identify key controls, and then identify possible testing through alternative methods, such as observation, interviews, and re-performance. These tests serve not only to gather evidence about the existence and effectiveness of internal control for purposes of assessing control risk, but also to gather evidence about the reasonableness of an account balance.

We will also develop our internal control tests to assess the compliance with certain provisions of laws, regulations, contracts, and grants for which noncompliance could have a direct and material effect on the determination of financial statement amounts. Our use of multi-purpose tests allows us to provide a more efficient audit without sacrificing quality.

Our assessment of internal controls will determine whether the City has established and maintained internal controls to provide reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability over assets
- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition
- Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements

We will finalize our audit programs during this phase. We will also provide an updated Prepared by Client Listing based on our test results and our anticipated substantive testing.

During the internal control phase, we will also perform a review of general and application Information Systems (IS) controls for the applications that are significant to financial statements to conclude whether IS general controls are properly designed and operating effectively, and consider application controls as part of the internal control assessment in the financial statement audit. Our strategy for the IS review of the applications will involve reviewing all of the general control activities, including the computerized and manual processes. We will



determine the scope of work by applying the concepts of materiality and risk assessment to effectively reduce examination inefficiencies. When planning this examination, we will gain an understanding of the City's operations by reviewing its current controls and control objectives as documented, and will also review prior years' audit work and the status of corrective actions.

Based on our preliminary review, we will perform an initial risk assessment of each critical element in each general control category, as well as an overall assessment of each control category. We will then proceed to assess the significant computer-related controls.

For IS-related controls that we deem to be ineffectively designed or not operating as intended, we will gather sufficient evidence to support appropriate findings and will provide recommendations to improve internal controls. For those IS controls that we deem to be effectively designed, we will perform testing to determine if they are operating as intended through a combination of procedures, including observation, inquiry, inspection, and re-performance.

Phase 3: Testing and Analysis

The extent of our substantive testing will be based on results of our internal control tests. It has been our experience that governmental entities, like the City often have a system of internal controls that, with appropriately designed tests and

correlation to account balances, can be used to limit the extent of account balance substantiation testing.

Audit sampling will be used only in those situations where it is the most effective method of testing. Before deciding to sample, we will consider all possible approaches and audit techniques. Items where, in our judgment, acceptance of some sampling risk is not justified will be examined 100 percent. These may include unusual items or items for which potential misstatements could individually equal or exceed tolerable error.

After identifying individually significant or unusual items, we will decide on the audit approach for the remaining balance of items by considering tolerable error and audit risk. This may include (1) testing a sample of the remaining balance; (2) lowering the previously determined threshold for individually significant items to increase the percent of coverage of the account balance; or (3) applying analytical procedures to the remaining balance. When we elect to sample balances, we will use IDEA to efficiently control and select our samples.

Our workpapers during this phase will clearly document our work as outlined in our audit programs. We will also provide the City with status reports during the course of the audit fieldwork. As in all phases of the audit, we will be in communication with the City to determine that all identified issues are resolved in a timely manner. We will also hold a final exit conference with the City to summarize the results of our fieldwork and review significant findings.

Phase 4: Reporting and Follow-Up

Reports to management will include oral and/or written reports regarding:

- Independent Auditors' Report
- Management Letter
- Written Communication to Those Charged with Governance, which includes the following areas:
 - Our responsibility under auditing standards generally accepted in the United States of America
 - Changes in significant accounting policies or their application
 - Unusual transactions



- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing the audited financial statements
- Disagreements with the City
- The City of Smithville’s consultations with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Fraud or illegal acts

Once the final reviews of working papers and financial statements are completed, which is a process that actually starts while the fieldwork is in process, our opinion, the financial statements and management letter will be issued.

Management will be provided a draft of any comments that we propose to include in the management letter, enabling you to review the comments for accuracy prior to final release. Any items that come to our attention that are not what we consider major items may be discussed verbally with management and not included in the management letter. Our management letter will include items noted during our analysis of your operations.

We will also make a formal presentation of the results of the audit to those charged with governance of City of Smithville if requested.

Commitment to communication with management

As you will see, we are committed to ongoing communication throughout the engagement. Continual communication starts when an engagement letter is issued, continues until the completion or closeout of an engagement, and throughout the remainder of the year. We believe effective communication is critical to a successful engagement. This communication includes the exchange of ideas and advice as changes are considered or implemented by the entity or the accounting profession.

During the engagement we will hold regular status meetings with the City to enhance day-to-day operations, results, and any issues are commonly understood and addressed. The objectives of tracking and formally reporting the engagement status are to:

- Provide a consistent technique for monitoring progress against plan
- Identify any issues quickly to allow for timely corrective action
- Provide an objective rather than subjective evaluation of status
- Provide timely information on a regular basis
- Assist with obtaining buy-in of any audit recommendations on a timely basis

Our proactive measures foster communications, both written and oral, which are ongoing, relevant and routine to our engagements. Our commitment to this practice encourages open lines of communication and often prevents and/or mitigates service delivery issues. Our professionals are trained in documenting observations, recommendations, business issues, and new developments as part of their daily routine.

We explain exactly what we’re doing and what we’ve found in plain, everyday language. We translate our findings into ideas on how you can address them. We believe our services are a contributing factor to better business and administrative practices. We gain a better understanding of your organization by working closely with your staff. This involvement enables us to offer you recommendations or suggestions for improvement in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.



Assurance Information Exchange (AIE)

To make working with CLA a seamless experience, our team utilizes a secure web-based application to request and obtain documents necessary to complete client engagements. This application allows CLA and our clients to view a “live” client assistance letter, which provides detailed information, including due dates for all of the open items CLA is requesting. Additionally, clients have the ability to attach electronic files and add commentary related to the document requests directly on the application.

Below are some examples of the Assurance Information Exchange software:

Two Dimensional Filter Statistics: SOMN Test					
Stage	OPEN	REOPENED	CLIENT	SUBMITTED	T:
Planning	6	0	4	0	10
Interim	42	0	0	1	43
Final Fieldwork	4	1	14	2	21

Assigned to Me				
Client Name	P ↓	Status	Stage	Summary
SOMN Test Company	↑	CLIENT	Planning	Org chart
SOMN Test Company	↑	CLIENT	Planning	Internal audit plan
SOMN Test Company	↑	CLIENT	Planning	Regulatory example & response
SOMN Test Company	↑	CLIENT	Planning	Mgmt letter response
SOMN Test Company	↑	OPEN	Planning	Lease agreements
SOMN Test Company	↑	OPEN	Interim	Loan and Deposit sheets

Data analytics

In addition to standard auditing methodology, a distinguishing aspect of CLA’s audit services incorporates the power of data analytics to multiply the value of the analyses and the results we produce for clients. CLA’s data methodology is a six-phase, systematic approach to examining an organization’s known risks and identifying unknown risks. Successful data analysis is a dynamic process that continuously evolves throughout the duration of an engagement and requires collaboration of the engagement team.

Data analytics are utilized throughout our audit process, our *Risk Assessment, Data Analytics and Review* (“RADAR”) is a specific application of general ledger data analytics that has been implemented on all audit engagements. RADAR is an innovative approach created and used only by CLA that aims to improve and replace traditional preliminary analytics that were being performed.



The phases in our data analytics process are as follows:

1. Planning

In the planning stage of the engagement, the use of data analysis is considered and discussed to determine that analytics are directed and focused on accomplishing objectives within the risk assessment. Areas of focus, such as journal entries, cash disbursements, inventory, and accounts receivable are common.

2. Expectations

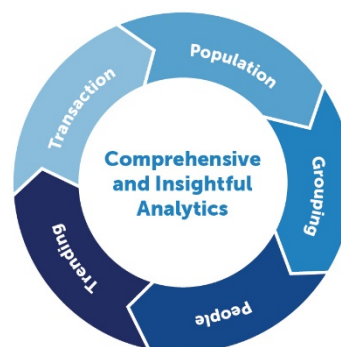
We consider the risks facing our client and design analytics to address these risks. Through preliminary discussions with management and governance, we develop and document expectations of financial transactions and results for the year. These expectations will assist in identifying anomalies and significant audit areas in order to appropriately assess risk.

3. Data Acquisition

Sufficient planning, a strong initial risk assessment, and an adequate understanding of your systems will serve as the foundation necessary to prepare our draft data request list. We will initially request information in written format and conduct follow-up conversations helping CLA practitioners our staff share a mutual understanding of the type of data requested and the format required. If there are going to be any challenges/obstacles related to obtaining data, or obtaining data in the preferred format, they will generally be discovered at this point.

4. Technical Data Analysis

Technical analysis of the data *requires* the skillful blend of knowledge and technical capability. Meaningful technical analysis provides the engagement team with a better understanding of the organization. The additional clarity assists the engagement team to better assess what is “normal” and, in turn, be better suited to spot anomalies, red-flags and other indications of risk. Analytics generally fall into five categories, each looking into the data set in a different way and deployed with a different purpose.



5. Interpret Results and Subsequent Risk Assessment

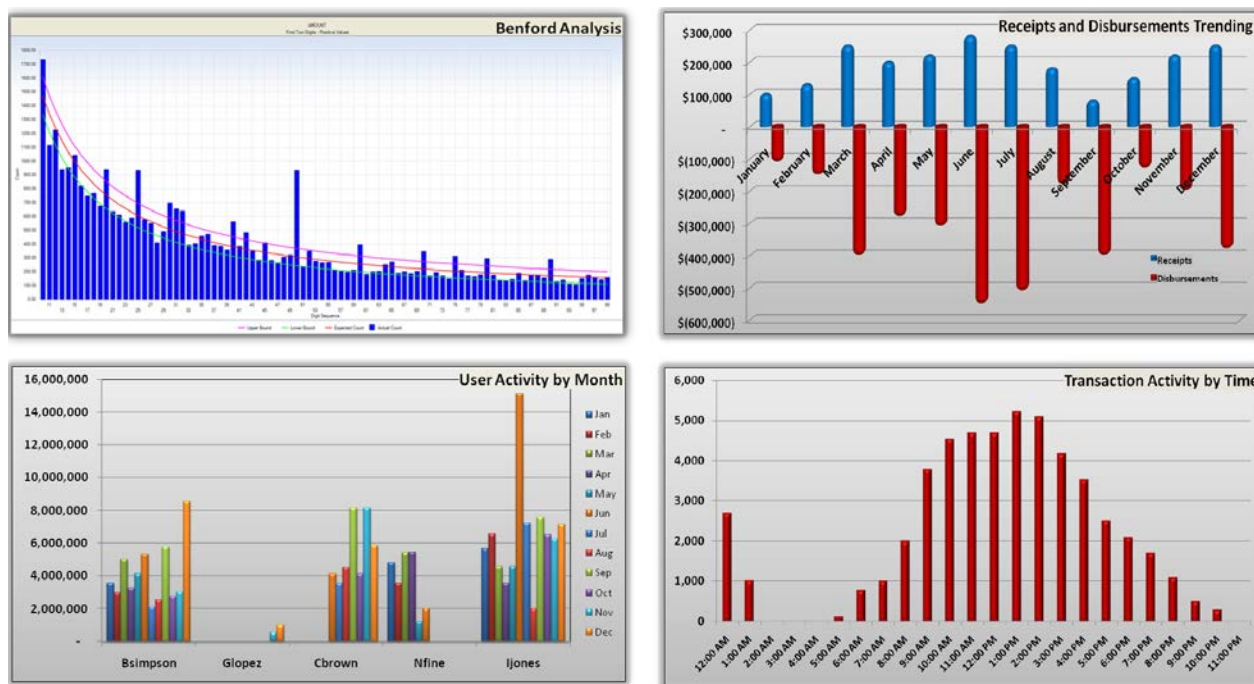
Trends and anomalies will be identified through the performance of the above referenced analytics. Comments regarding the interpretation of those trends and anomalies will be captured. When trends are identified they are reconciled against expectations. For anomalies identified, the approach to further audit procedures will be considered.

6. Response and Document

The last process is to capture responses and determine that our procedures are properly documented. Abstracts, charts or summaries of both trends and anomalies are retained in the audit documentation to support our identification of risks. Our analysis can be tailored and customized to help analyze an array of information, including client specific and proprietary data. Key benefits of data analytics include:

- Built-in audit functionality including powerful, audit specific commands and a self-documenting audit trail
- 100 percent data coverage, which means that certain audit procedures can be performed on entire populations, and not just samples
- Unlimited data access allows us to access and analyze data from virtually any computing environment
- Eliminates the need to extrapolate information from errors (a common effort when manually auditing data) and allows for more precise conclusions

The below figure illustrates typical data analytics scenarios.



Data Analytics. At the end of a series of pre-determined analytics (often retrieved from multiple proprietary accounting systems) that are customized to the project at hand, we identify anomalies and potential errors in transactions. In every case, we review what appears to be inappropriate activity, including supporting documentation evidencing the transactions.

Procedures used to understand internal processes and controls

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has established a framework for internal control systems. Under the COSO framework, internal control is a process to provide reasonable assurance that those internal objectives, including effectiveness and efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations, will be met.

Our audit approach is designed to evaluate and test the departmental internal controls in accordance with COSO concepts. Our procedures include a review of the overall control environment, determination of the internal controls which are determined to be direct and material to the federal program under review, determination of the adequacy of those procedures, and testing of the procedures to determine if they are functioning as designed.

During the planning and internal control phases of our audit, we will develop our understanding of the City business operations and internal control structure for financial accounting and relevant operations through observation, discussion, and inquiries with management and appropriate personnel. During this phase of the audit, we will review budgets and related materials, organization charts, accounting and purchase manuals, and other systems documentation that may be available.

Once we understand your operations, we will then identify control objectives for each type of control that is material to the financial statements. The next step will be to identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. We will then determine the nature, timing and extent of our control testing, and perform tests of controls.

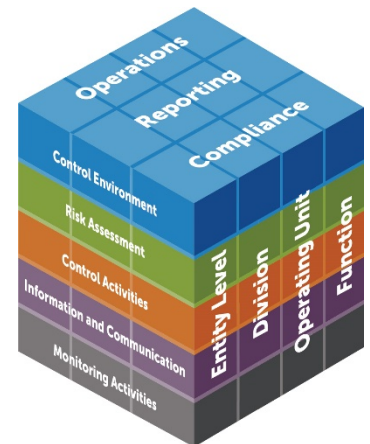
This phase of the audit will include extensive testing of controls over transactions, financial reporting, and compliance with laws and regulations. Whenever possible, we will use dual-purpose tests to reduce the need to select multiple samples for internal control and compliance testing. We will be as efficient as possible, thereby reducing the disruption to your operations while achieving our audit objectives.

Our assessment of internal controls will determine whether the City established and maintained internal controls to provide reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability over assets
- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition
- Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements

Our workpapers during this phase will clearly document our work through the preparation of the following for each significant transaction cycle or accounting application:

- Audit program
- Cycle memo and supporting documentation
- Account risk analysis (ARA)
- Specific control evaluation (SCE)



*COSO Internal Control:
Integrated Framework*

Sample size and statistical sampling

We follow the guidance of AU-C Section 350, Audit Sampling, in using statistical and nonstatistical approach. We use quality control material in all our audit engagements. These AU-C Section 350 – “Audit Sampling” forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing.

Sample sizes will vary depending on the nature of the testing (compliance versus substantive) and the size of the population being sampled. Sampling techniques are utilized in compliance and internal control testing, as well as substantive testing of certain asset and liability account balances. Sample sizes used for internal control testing depend on a number of factors, namely the number of expected or actual control deviations, size of population, and level of control assurance anticipated. Sample sizes can range from 20 to 90 possible selections.

To illustrate, if no internal control deviations are anticipated and the frequency of the population (i.e., the number of times the control is performed in a given year) is less than 100, then we will test 20 transactions in order to obtain moderate control assurance. If 2 internal control deviations are anticipated, and the frequency of the population is greater than 200, then we will test 90 transactions in order to obtain low control assurance. We are usually able to cover a substantial portion of the compliance and controls testing with one sample, resulting in a very efficient approach.

Approach to be taken in drawing audit samples for purposes of tests of compliance

We follow the guidance of AU-C Section 350, Audit Sampling, in using statistical and nonstatistical approach. We use quality control material in all our audit engagements. These forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing.

Because our sample sizes are affected by many variables, a statement about sample sizes cannot be made in absolute terms. However, with regard to sample selection, we will generally utilize representative sampling for internal control and compliance tests, including those related to single audit compliance. Samples will also be used in conjunction with other tests of compliance

In general terms, sample sizes for compliance and controls testing obtained via our guidance usually fall into categories of 25, 40, or 60 depending on circumstances. Where the population being tested is less than 100 items, we will use the 20%, 30%, or 40% of the population depending on our control risk assessment. We are usually able to cover a substantial portion of the compliance and controls testing with one sample, resulting in a very efficient approach.

Approach to be taken in determining laws and regulations that will be subject to audit test work



We will obtain an understanding of the laws and regulations that have an impact on the City’s operations by reviewing council minutes to identify any ordinances or resolutions that might have an impact to operations and reporting by the City, as well as interview key personnel and management of the City. Additionally, the staff assigned to the engagement attend regular trainings and are well versed in upcoming legislation, federal and state laws (i.e. Uniform Grant Guidance) and proactively discuss these upcoming changes with our clients.

We will also review current operations, contracts and IGA’s that may have an impact on current operations.



Use of computer assisted audit techniques

One of CLA's advantages is access to advanced audit tools and technology. Throughout the audit we may employ the use of Computer Assisted Audit Techniques (CAATs) to increase efficiency and effectiveness. The key CAATs that we will use include:

- **Interactive Data Extraction and Analysis (IDEA)** – IDEA is a statistical data analysis tool that has the ability to import data from virtually any data source or file type, with no limitations on the size of the data files that can be examined. IDEA utilizes powerful, built-in tools designed for the performance of audits and fraud investigations, providing the ability to:
 - Statistically sample, summarize, stratify and/or perform an aging of large data sets
 - Compare, join, append or otherwise manipulate multiple, related populations of data
 - Identify gaps or duplicates in record sequences
 - Extract subsets of data using a variety of criteria or filters
 - Build reports and graphs to summarize testing results
- 
- **FX Engagement** – FX Engagement is our “paperless” audit product. This product allows us to file and save all of our audit workpapers in an electronic storage capacity; allowing our firm to save time and resources associated with maintaining and storing paper files. FX Engagement also boasts a trial balance software program, which is utilized to produce financial statements, lead schedules, and allows us to perform trend analysis utilizing our clients’ trial balances.
- 
- **A Program Generator (APG)** – In order to provide a uniform approach to all engagements, the firm requires the use of APG, a software program custom-written for CLA. This software package allows the tailoring of procedures, based on the requirements of your engagement. We have developed a customized CLA audit program, which effectively makes our audit processes paperless and will enhance our present electronic practices.

In an audit engagement, the primary use of APG is to take a standard audit program and modify, add, and delete procedures to create a program that has been specifically tailored to meet the needs of your engagement. Once tailored, the document can be completed electronically. Specific reports in addition to the basic program are generated to accommodate planning and review of your engagement. APG is an example of a technology tool that is designed to promote audit efficiencies. This software produces an industry-specific base program that is intended to encourage more thoughtful and specific tailoring. For an engagement to be effective in dealing with the risk of errors and efficient in avoiding riskless work, the engagement team will create a plan – the program – that contains the steps necessary to accomplish the goals of your engagement. Using APG is viewed as a thinking process, not just a documentation process.
- **Assurance Information Exchange (AIE)** – CLA utilizes AIE, a secure web-based application, to request and obtain documents necessary to complete client engagements. Our AIE serves as a project management solution that allows clients to view detailed information, including due dates for all of the items CLA is requesting. Additionally, clients have the ability to attach electronic files and add commentary related to the document requests directly in the application.
 - **LeapFILE and Secure File Transfer Protocol** – CLA is committed to keeping client and member data secure. In addition to AIE, we utilize LeapFILE, a secure file transfer protocol (SFTP) software program, to receive and send encrypted files. LeapFILE allows us to transfer files to and receive files from our clients in a secure manner and keeps files with sensitive data out of our email boxes and hard drives.



Engagement Team Experience

An experienced engagement team has been aligned to provide the most value to your organization. The team members have performed numerous engagements of this nature and will commit the resources necessary to provide top quality service throughout the engagement. Following are our proposed management team members:

The most important resource any business has is people — the right people.

Engagement Team Member	Role	Years Experience
Harold Ray	Signing Director	11
Jason Moses	Engagement Manager	6
Callie Rauschelbach	Audit Associate	3
Corey Bertini	Audit Associate	2

Detailed biographies are available in the *Appendix* of this proposal.

Roles and responsibilities

Signing Director – Harold Ray will have overall engagement responsibility including planning the engagement, developing the audit approach, supervising staff, and maintaining client contact throughout the engagement and throughout the year. Harold is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.

Engagement Manager – Jason Moses will act as the lead manager and in-charge on the engagement. In this role, Jason will assist the engagement principal with planning the engagement and performing complex audit areas. He will perform a technical review of all work performed and is responsible for the review of the financial statements and all related reports.

Additional Staff - We will assign additional staff to your engagement based on your needs and their experience providing services to state and local governments. Ideally, the staff assigned to your team will be from our St Joseph, Missouri offices with state and local government as their industry focus at CLA.

Second Review – As a firm requirement, a person (external to the engagement team and independent of the client) suitably qualified and authorized to perform this review will assess the deliverables and workpapers to provide an objective evaluation, before the report is released, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. More than a dozen individuals work within this team and are focused specifically on governmental engagements.

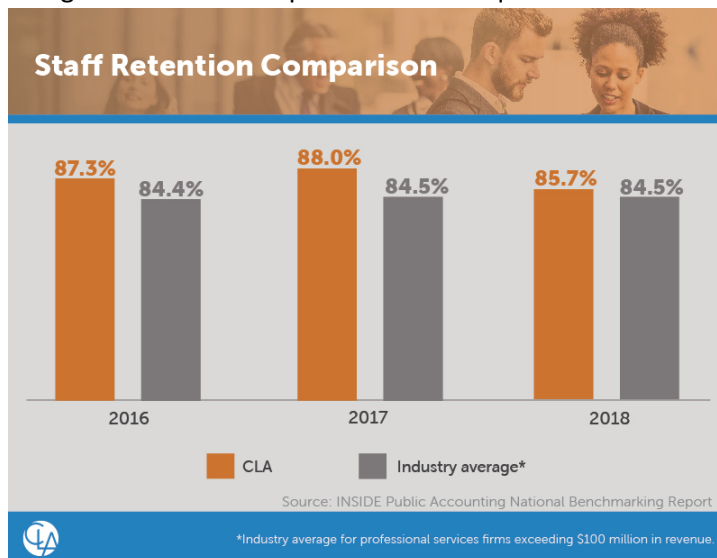


Continuity of service

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. We are also flexible in exploring alternative strategies to rotation policies.

In any business, however, turnover is inevitable. When it happens, we will provide summaries of suggested replacements and will discuss re-assignments prior to finalizing. We have an adequate number of qualified staff members to provide the City with top service over the term of the engagement.

CLA is committed to maintaining high staff retention rates, which we believe are a strong indicator of service quality. Continuity results in increased efficiency and quality because staff assigned to the engagement will not have to go through a “learning curve” with annual engagements or each new project. Client staff spends less time orienting the engagement team, and more time working toward goals. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. High retention rates also indicate that our staff members have the resources they need to perform their tasks and maintain a positive work/life balance.



If selected for the October 31, 2020 audit engagement, it will be Corey’s third year in working with you. In addition to local staff, we are also able to draw from national resources. If necessary, we will work with our St. Louis office, and possibly others, to provide additional staff. Andrew Zebell is a manager in that office with 10 years of experience. Nick Territo is a manager in that office with 5 years of experience, and Katie Cassulo is an associate in that office with 3 years of experience. We would be able to utilize these staff members in future years to assist in meeting rotation plans.

References

CLA offers its clients the best of two worlds — a firm with national public sector experience, complemented by a local team dedicated to accessibility and responsiveness. We are pleased to provide you with the following references, who can describe their experience in greater detail.

City of Pleasant Hill, Missouri	
Client Contact	Shelby Teufel, City Administrator
Phone Number /Email	816-540-3135
Address	203 Paul St. Pleasant Hill, MO 64080
Services Provided	2018 to present: Audit of financial statements in accordance with <i>Government Auditing Standards</i> , and financial statement preparation

Buchanan County, Missouri	
Client Contact	Tara Horn, County Auditor
Phone Number / Email	816-271-1409
Address	411 Jules St, Room 133 St. Joseph, MO 64501
Services Provided	2017 to present: Audit of financial statements in accordance with <i>Government Auditing Standards, Uniform Guidance</i> , and financial statement preparation

City of Savannah, Missouri	
Client Contact	Beth Kar, City Clerk
Phone Number /Email	816-324-7502
Address	402 Court St. Savannah, MO 64485
Services Provided	2013 to present: Audit of financial statements in accordance with <i>Government Auditing Standards, Uniform Guidance</i> , and financial statement preparation



Single audit resource center (SARC) award

CLA received the [Single Audit Resource Center \(SARC\) Award](#) for Excellence in Knowledge, Value, and Overall Client Satisfaction. SARC's award recognizes audit firms that provide an outstanding service to their clients based on feedback received from an independent survey in June 2018.



The survey queried 10,762 nonprofit and government entities about the knowledge of their auditors, the value of their service, and overall satisfaction with their 2017 fiscal year-end audit. The SARC award demonstrates CLA's dedication to serving the government and nonprofit industry and maintaining the most stringent regulatory requirements in those sectors.

Relationships between the Department of Audits, the Department of Finance, and the project team

In addition to the specific tasks and responsibilities outlined in this proposal, the Department of Finance will be asked to prepare schedules to our staff to provide us with as much information as possible, in an effort to limit everyone's time on the engagement and, ultimately, to meet the revised deadlines and save your organization money. We will depend on the City's support account balances, prepare confirmations, provide copies of invoices and other documentation as required, and provide explanations for questions as they arise. Additionally, we will require time from department staff to discuss key planning issues, to meet with staff involved with operations to develop our understanding of the City's systems and processes, and to conduct other key meetings throughout the audit.

Participation in quality improvement programs

We work with governmental entities across the country, and our exposure to the circumstances and issues that surround your industry will allow us to serve you with exceptional knowledge and insight. We understand the specific needs and challenges of the public sector and have been serving clients similar to the City for decades.

We are actively involved in and/or are members of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- AICPA's State and Local Government Expert Panel
- AICPA's Government Audit Quality Center (GAQC)
- Government Finance Officers Association (GFOA)
- Special Review Committee for the GFOA's
- Certificate of Achievement for Excellence in Financial Reporting (Certificate) Program
- AICPA Single Audit Quality Task Force
- Association of Government Accountants



AICPA®



Our participation/membership in the aforementioned professional organizations, combined with various other technical services we subscribe to, allows use to be at the forefront of change in the government environment. We take seriously our responsibility for staying current with new accounting pronouncements, auditing standards, other professional standards and laws and regulations.



Firm independence

CLA has been City of Smithville's auditors for the last six years. As such, we are required to maintain our independence (both in substance and appearance). We are not presently aware of any current or potential relationships or conflicts of interest with the City of Smithville or its affiliates that may threaten our independence.



Continuing education program

In order to maintain and expand our assurance knowledge, we consistently provide continuing education for our professionals. Each member of our professional team, including principals, attends at least 40 hours of technical training annually.

Updated information on recent changes in technical standards and regulations, as well as the firm's professional policies and procedures, is distributed to our team members on a regular basis. Individuals are required to familiarize themselves with all current changes in standards and procedures.

CLA invests in our government practice by hiring high caliber professionals and providing additional training to develop and enhance our knowledge. With seasoned professionals, we provide valuable insight into your day-to-day operations and your accounting systems and controls.

As described below, CLA professionals are specifically trained in the industry at a level beyond our competitors.

Our professionals focus on serving a specific industry. So, the team chosen to serve you is continuously exposed to, and trained on issues impacting large governmental entities while performing their day-to-day work.

On-the-Job Training



When providing instruction in our basic CPA, consulting and advisory classes, we tailor the entire discussion, examples and exercises to apply to clients in their specific industry focus.

Tailored Training



Our on-campus recruiting aggressively seeks individuals with industry focused degrees and/or backgrounds. We focus on identifying top candidates for our government clients.

Specialized Recruiting



Effective Continuing Professional Education. Our greatest strength is the talent of our staff. Our professionals provide more efficient and effective services due to the new ideas they implement from our in-depth training and continuing professional education.

CLA's firm-wide training programs, include:

- **Learn.** Designed for new CLA associates, this five-day conference is typically attended in the first year of employment. This internally developed and presented training focuses on preparing new hires and interns to understand and perform their role in the audit process. Providing a combination of an introduction to CLA Strategy, business risk and independence with audit theory. Using hands on exercises and simulations to introduce our audit methodology, tools and software. Specific audit areas covered include audit planning, cash, fixed assets, accounts payable and financial statement preparation.
- **Experience.** Designed for the CLA associate with about one year of experience. This four-day conference is typically attended in the second year of employment. This training is similar to the "Learn" training outlined above, but at a deeper level.
- **Achieve.** Designed for the CLA associate with about two years of experience. This four-day conference is typically attended in the third year of employment. This internally developed and presented training focuses on leadership and performance management of audit engagements utilizing CLA audit methodology from the perspective of the experienced in-charge. This is a highly interactive session



covering the experienced in-charge's role and challenges in the audit process, and prepares participants to manage and perform efficient and effective audits.

- **Propel.** Designed for the CLA associate with about three years of experience. This four-day conference is typically attended in the fourth year of employment. This training focuses on project management of audit engagements from start to finish and includes exercises and case studies on improving the audit, supervision, analytical procedures and tests of controls and identifying and responding to fraud risks. This session is taught by an external instructor from 20/20 Services.

GASB insight potentially affecting current and future audits

Our significant knowledge of technical issues and GASB pronouncements will be especially beneficial to the City of Smithville. The below are recent issues and pronouncements which may have a future impact on the audits and financial statement of the City of Smithville. We will proactively work with the City of Smithville to address the reporting and auditing impact of each pronouncement or issue in advance of the implementation date.

GASB – Recent and Pending	
Description of Statement	Potential Impact
GASB Statement No. 84, Fiduciary Activities – The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It provides criteria for identifying fiduciary activities, identifies four types of fiduciary funds and provides reporting guidance. The four fiduciary fund types are pension (and other employee benefit) trusts, investment trust funds, private-purpose trust funds and custodial funds.	<p>The Requirements of this statement are effective for reporting periods beginning after December 15, 2018.</p> <p>Implementation of this statement will require a change in terminology from agency funds to custodial funds, along with other potential changes.</p>
GASB Statement No. 87, Leases – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.	<p>The Requirements of this statement are effective for reporting periods beginning after December 15, 2019. Based on our preliminary review of this Statement, the standard would require City of Smithville to record a liability and an intangible right-to-use lease asset for all non-current (greater than 12 months) leases. There would be little or no change in existing capital leases. The impact of recording the new liabilities on City of Smithville's legal debt margins and coverage calculations would require review and discussion with City of Smithville legal, accounting and financial advisors.</p>



GASB – Recent and Pending

Description of Statement	Potential Impact
GASB Statement No. 89, Accounting For Interest Cost Incurred before the End of a Construction Period – The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.	The Requirements of this statement are effective for reporting periods beginning after December 15, 2019. Interest costs during construction will be expensed as opposed to capitalized.



Professional Fees

Our fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

Option A: Not all staff having over three years experience:

Professional Services	2020	2021	2022
Audit Services	\$ 19,000	\$ 19,500	\$ 20,000
Depreciation Services	\$ 1,000	\$ 1,000	\$ 1,000
Technology and client support fee (5%)	\$ 1,000	\$ 1,025	\$ 1,050
Total	\$ 21,000	\$ 21,525	\$ 21,550

Option B: All staff having over three years experience:

Professional Services	2020	2021	2022
Audit Services	\$ 24,000	\$ 24,500	\$ 25,000
Depreciation Services	\$ 1,000	\$ 1,000	\$ 1,000
Technology and client support fee (5%)	\$ 1,250	\$ 1,275	\$ 1,300
Total	\$ 26,250	\$ 26,775	\$ 27,300

We have found over the years that our clients don't like fee surprises. Neither do we. We commit to you, as we do all of our clients, that:

- We will be available for brief routine questions at no additional charge, a welcome investment in an on-going relationship.
- Like most firms, we are investing heavily in technology to enhance the client experience, protect our data environment, and deliver quality services. We believe our clients deserve clarity around our Technology and Client Support Fee, and we will continue to be transparent with our fee structure.
- Any additional charges not discussed in this proposal will be mutually agreed upon up front.
- We will always be candid and fair in our fee discussions, and we will avoid surprises.



Billing for phone calls and questions

It is not our policy or practice to bill our clients every time we receive a phone call. In the course of providing our services to you, we will regularly consult with you regarding accounting, financial reporting, and significant business issues. If a specific project is complex or requires significant time or resources, we will discuss the scope of the project and its fee with you first to make sure there are no surprises. While it is difficult to establish an exact policy for billing in these situations, we commit to discussing the request with you in advance of performing our services if we believe the time requirement to provide you the desired assistance is other than routine. We will discuss the scope of the project and our estimate to complete it prior to commencing work.

Our last word on fees — we are committed to serving you. Therefore, if fees are a deciding factor in your selection of an accounting firm, we would appreciate the opportunity to discuss our audit plan.

At CLA, it's more than just getting the job done.



Appendix

A. Engagement team biographies

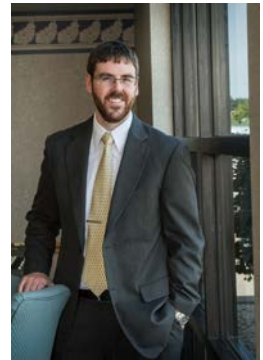


Harold Ray, CPA

CLA (CliftonLarsonAllen LLP)

Signing Director-Assurance
St. Joseph, MO

816-671-8924
Harold.Ray@claconnect.com



Profile

Harold has 10 years of experience in auditing primarily nonprofit and governmental organizations, including Federal single audits. He is an assurance director in the St. Joseph office.

Harold is licensed as a CPA in Missouri.

Technical expertise

- State and local government
- Nonprofit entities

Education and professional involvement

- Bachelors of Science in Accounting from Northwest Missouri State University, Maryville, Missouri
- Masters in Business Administration from Northwest Missouri State University, Maryville, Missouri
- American Institute of Certified Public Accountants
- Missouri Society of Certified Public Accountants
- Associate Member of the Government Finance Officers Association
- St. Joseph Area Chamber of Commerce
- Nonprofit Connect



Jason Moses, CPA

CLA (CliftonLarsonAllen LLP)

Manager
Overland Park, KS

913-232-4335
Jason.moses@CLAconnect.com



Profile

Jason is a manager in the Overland Park office with multiple years' experience as an auditor. He is a Certified Public Accountant in the state of Missouri and Kansas and has expertise providing assurance services to HUD entities, non-profits, and local municipalities.

Technical experience

- Assurance services , including the following industries:
 - Local municipalities
 - HUD - multi-family and public housing authorities
 - School districts
 - Non-profit entities

Education and professional involvement

- Bachelors of Science in Accounting – Missouri State University
- Member, American Institute of Certified Public Accountants (AICPA)
- Member, Missouri Societies of Certified Public Accountants (MOCPA)
- Member, Affordable Housing Association of CPAs (AHACPA)
- Member, Association of Governmental Accountants (AGA)
- Certified Public Accountant in the state of Missouri and Kansas



Callie Rauschelbach

CLA (CliftonLarsonAllen LLP)

Associate
Overland Park, KS

Phone 913-232-4330
callie.rauschelbach@CLAconnect.com



Profile

Callie is an associate in the Overland Park office with three years of experience with CLA. She is experienced performing audit engagements for a wide variety of clients with an emphasis in Nonprofit and State and Local Government.

Technical experience

Assurance services in various industries, including:

- State and local government
- Nonprofit entities
- Real Estate
- Employee benefit plans

Education and professional involvement

- Bachelors of Science in Accounting from Missouri Western State University, Saint Joseph, Missouri
- Nonprofit Connect



Corey Bertini

CLA (CliftonLarsonAllen LLP)

Associate – Assurance Services
St. Joseph, MO

816-671-8905
corey.bertini@CLAconnect.com



Profile

Corey is an Associate in the St. Joseph office with over one year of experience in public accounting. He assists with planning and managing audits, reviews, and compilations, focusing on nonprofit and governmental organizations.

Technical experience

- State and local government organizations
- Nonprofit entities
- Private Clients
- Manufacturing and distribution

Education and professional involvement

- Masters of Business Administration with a forensic accounting concentration from Missouri Western State University, St. Joseph, Missouri
- Bachelors of Science in Accounting from Missouri Western State University, St. Joseph, Missouri
- Associates of Arts from Iowa Central Community College, Fort Dodge, Iowa



B. Quality control procedures and peer review report



In the most recent peer review report, dated November 2019, we received a rating of pass, which is the most positive report a firm can receive. We are proud of this accomplishment and its strong evidence of our commitment to technical excellence and quality service. The full report is provided on the following page.

In addition to an external peer review, we have implemented an intensive internal quality control system to provide reasonable assurance that the firm and our personnel comply with professional standards and applicable legal and regulatory requirements. Our quality control system includes the following:

- A quality control document that dictates the quality control policies of our firm. In many cases, these policies exceed the requirements of standard setters and regulatory bodies. Firm leadership promotes and demonstrates a culture of quality that is pervasive throughout the firm's operations. To monitor our adherence to our policies and procedures, and to foster quality and accuracy in our services, internal inspections are performed annually.
- Quality control standards as prescribed by the AICPA. The engagement principal is involved in the planning, fieldwork, and post-fieldwork review. In addition, an appropriately experienced professional performs a risk-based second review of the engagement prior to issuance of the reports.
- Hiring decisions and professional development programs designed so personnel possess the competence, capabilities, and commitment to ethical principles, including independence, integrity, and objectivity, to perform our services with due professional care.
- An annual internal inspection program to monitor compliance with CLA's quality control policies. Workpapers from a representative sample of engagements are reviewed and improvements to our practices and processes are made, if necessary, based on the results of the internal inspection.
- Strict adherence to the AICPA's rules of professional conduct, which specifically require maintaining the confidentiality of client records and information. Privacy and trust are implicit in the accounting profession, and CLA strives to act in a way that will honor the public trust.
- A requirement that all single audit engagements be reviewed by a designated single audit reviewer, thereby confirming we are in compliance with the standards set forth in *Uniform Guidance*.



Report on the Firm's System of Quality Control

November 21, 2019

To the Principals of CliftonLarsonAllen LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (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/prsummary. 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 engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; audits of broker-dealers; and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer 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 CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. CliftonLarsonAllen LLP has received a peer review rating of *pass*.



Cherry Bekaert LLP

C. E-Verify Exhibit



EXHIBIT 1

STATE OF MISSOURI)
)
ss COUNTY OF _____)

AFFIDAVIT

(As required by Section 285.530, Revised Statutes of Missouri) As used in this Affidavit, the following terms shall have the following meanings:

EMPLOYEE:

Any person performing work or service of any kind or character for hire within the State of Missouri.

FEDERAL WORK AUTHORIZATION PROGRAM:

Any of the electronic verification of work authorization programs operated by the United States Department of Homeland Security or an equivalent federal work authorization program operated by the United States Department of Homeland Security to verify information of newly hired employees, under the Immigration Reform and Control Act of 1986 (IRCA), P.L. 99-603.

KNOWINGLY:

A person acts knowingly or with knowledge,

- (a) With respect to the person's conduct or to attendant circumstances when the person is aware of the nature of the person's conduct or that those circumstances exist; or
- (b) With respect to a result of the person's conduct when the person is aware that the person's conduct is practically certain to cause that result.

UNAUTHORIZED ALIEN:

An alien who does not have the legal right or authorization under federal law to work in the United States, as defined in 8 U.S.C. 1324a(h)(3).

BEFORE ME, the undersigned authority, personally appeared in Brainerd, MN
who, being duly sworn, states on his oath or affirmation as follows:

1. My name is Douglas P. Host and I am currently a Principal
CliftonLarson Allen LLP (hereinafter "Contractor"), whose business
address is 2301 Village Drive, St. Joseph, MO 64506, and I am
authorized to make this Affidavit.
2. I am of sound mind and capable of making this Affidavit, and am personally acquainted with the facts stated herein.
3. Contractor is enrolled in and participates in a federal work authorization program with respect to the employees working in connection with the following services contracted between Contractor and the City of Smithville, Missouri.
4. Contractor does not knowingly employ any person who is an unauthorized alien in connection with the contracted services set forth above.



5. Attached hereto is documentation affirming Contractor's enrollment and participation in a federal work authorization program with respect to the employees working in connection with the contracted services.

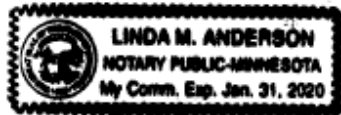
Further, Affiant saith not.

Douglas P. Host
[Signature]

Douglas P. Host
[Printed name]

Affiant Subscribed and sworn to before me this 9th day of August, 2017.

Linda M. Anderson
[Notary Public]



My Commission Expires Jan 31, 2020

Commissioned in Cass County

Commission # 6125813

PLEASE NOTE:

Acceptable enrollment and participation documentation consists of the following two (2) pages of the E-Verify Memorandum of Understanding:

1. A valid, completed copy of the first page identifying the Contractor; and
2. A valid copy of the signature page completed and signed by the Contractor, and the Department of Homeland Security - Verification Division



Company ID Number: 65719

Client Company ID Number: 976827



**THE E-VERIFY
MEMORANDUM OF UNDERSTANDING
FOR EMPLOYERS USING A WEB SERVICES E-VERIFY EMPLOYER AGENT**

**ARTICLE I
PURPOSE AND AUTHORITY**

The parties to this agreement are the Department of Homeland Security (DHS), the CliftonLarsonAllen LLP (Employer), and the Web Services E-Verify Employer Agent. The purpose of this agreement is to set forth terms and conditions which the Employer and the Web Services E-Verify Employer Agent will follow while participating in E-Verify.

E-Verify is a program that electronically confirms an employee's eligibility to work in the United States after completion of Form I-9, Employment Eligibility Verification (Form I-9). This Memorandum of Understanding (MOU) explains certain features of the E-Verify program and describes specific responsibilities of the Employer, the E-Verify Employer Agent, the Social Security Administration (SSA), and DHS.

References in this MOU to the Employer include the Web Services E-Verify Employer Agent when acting on behalf of the Employer.

For purposes of this MOU, the E-Verify browser refers to the website that provides direct access to the E-Verify system: <https://e-verify.uscis.gov/emp/>. You may access E-Verify directly free of charge via the E-Verify browser.

Authority for the E-Verify program is found in Title IV, Subtitle A, of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA), Pub. L. 104-208, 110 Stat. 3009, as amended (8 U.S.C. § 1324a note). The Federal Acquisition Regulation (FAR) Subpart 22.18, "Employment Eligibility Verification" and Executive Order 12989, as amended, provide authority for Federal contractors and subcontractors (Federal contractor) to use E-Verify to verify the employment eligibility of certain employees working on Federal contracts.

**ARTICLE II
RESPONSIBILITIES**

A. RESPONSIBILITIES OF THE EMPLOYER

For purposes of this MOU, references to the Employer include the Web Services E-Verify Employer Agent when acting on behalf of the Employer.

1. By enrolling in E-Verify and signing the applicable MOU, the Employer asserts that it is a legitimate company which intends to use E-Verify for legitimate purposes only and in accordance with the laws, regulations and DHS policies and procedures relating to the use of E-Verify.





Company ID Number: 65719

Client Company ID Number: 976827

Approved by:

Employer CliftonLarsonAllen LLP	
Name (Please Type or Print)	Title
Signature	Date
E-Verify Employer Agent SilkRoad technology, Inc.	
Name (Please Type or Print)	Title
Elizabeth Christensen	
Signature Electronically Signed	Date 06/03/2016
Department of Homeland Security – Verification Division	
Name (Please Type or Print)	Title
USCIS Verification Division	
Signature Electronically Signed	Date 06/23/2016