

Cappiello, Diane

Subject: RE: Audit Fee

-----Original Message-----

From: Mantell, Kathi [<mailto:Kmantell@nisivoccia.com>]

Sent: Thursday, June 16, 2016 11:02 AM

To: Vieira, Manny <mvieira@twpunionschools.org>

Subject: RE: Audit Fee

Hello Manny,

We are willing to lower our audit fee to \$50,000 and will collaborate with the District's School Business Administrator and Business Office staff to adequately prepare for the audit and achieve audit efficiencies.

As auditors in a new school district, we expect that our costs during the first three years will likely exceed our fees, and we look at this as an opportunity to demonstrate our commitment to and investment in the Union Township School District. We see our relationship with the Board as a partnership and respectfully ask the Board to consider a two-year extension of our contract with a 2% increase in our audit fee for both fiscal years 2016-2017 and 2017-2018.

We eagerly await the Board's response,

Kathi
Kathryn L. Mantell | Partner

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UNION TOWNSHIP SCHOOL DISTRICT

PROPOSAL FOR APPOINTMENT
OF
INDEPENDENT AUDITORS

March 14, 2016

The Honorable President and Members of the
Board of Education
Union Township School District
179 Eagle Rock Avenue
Union, New Jersey 07052

This proposal is being submitted for your consideration in connection with the appointment of independent auditors for the Union Township School District for the fiscal year ended June 30, 2016 as well as our proposed fees for the fiscal years ending June 30, 2017 and 2018. We are pleased that you have our firm under consideration and can assure you that we are very much interested in having the opportunity to explain how we can provide the best possible service to the Board of Education. We feel Nisivoccia, LLP is particularly well suited to continue to assist the Board of Education in all areas where assistance is needed and expected, and that we would be able to provide the personalized service best suited to the Union Township School District.

We believe that the value of an independent accounting firm to its clients is determined by a number of factors including the size and breadth of its experience, desire of the firm to serve a given client, capabilities of its staff, and the philosophy with which it serves the needs of its clients. In the accompanying proposal, we have provided a brief background description of our firm, information with respect to our experience and our approach, and other related matters.

The form of our proposal has been divided into the following sections:

Section I	Firm of Nisivoccia, LLP
Section II	Services to be Performed and Approach
Section III	Organizational Support
Section IV	Proposed Audit Fee and Timing of the Audit
Section V	Resumes/Licenses
Section VI	List of the Firm's Governmental Clients

Appendix

A	Affirmative Action Questionnaire, Certificate and Mandatory Language
B	New Jersey Business Registration Certificate
C	W-9 (Nisivoccia, LLP)
D	System ("Peer") Review Report
E	Certificates of Insurance
F	Political Contribution Disclosure Form and Business Entity Disclosure Certification
G	Stockholder Disclosure Certificate
H	Non Collusion Affidavit
I	Client References/Letters of Recommendation

We would like to highlight a few points that we believe are relevant to your decision in selecting auditors for the School District.

- **Qualifications** - Nisivoccia, LLP has 19 partners plus over 70 staff among which are 39 Certified Public Accountants, 14 Public School Accountants and 11 Registered Municipal Accountants. We can offer you the most talented and committed accountants with expertise in a multitude of specialties to enhance our service to you.
- **Timeliness** - Our public school, charter school and county college audit reports have consistently been filed over the past 40 years within the statutory December 5 and our June 30, 2016 reports were filed with GASB 68 implementation by the extended due date. We believe that Nisivoccia, LLP is the only firm to have such a performance record. We typically perform interim audit procedures and schedule in-house audit preparation sessions with all of our clients to discuss new audit requirements prescribed by the New Jersey Department of Education and the checklist of information that must be prepared for the audit in order to streamline the audit process and ensure timely submission of the report.
- **Service** - Nisivoccia, LLP is a recognized leader in performing school audits. We continually offer training seminars to our clients covering the latest accounting and reporting topics; we have been instrumental in assisting our clients with implementation of new requirements and management of new computer systems; and we have made presentations to state and local groups regarding the implementation of GASB Statement 34, 44 and 68 and other topics. Our hands-on approach has proven particularly useful to our clients. We have assisted our clients with various budget preparation projects, reviews and evaluations of internal controls, and financial forecasting projects, and we have professional within our firm with expertise in non-profit organizations, payroll benefits and taxes, and employee 403b and 457 deferred compensation plans who have provided invaluable information and service to our school clients.
- **Commitment** - We have 7 partners and approximately 35 staff who are completely dedicated to conducting public school audits. You will have a tremendous pool of resources and experience at your disposal as we all are committed to assist each other in servicing the firm's clients. One of our partners sits on the Government Accounting and Auditing Committee of the New Jersey State Society of CPA's and has the inside track on current accounting and auditing issues in the industry. We consistently attend monthly Association of School Business Officials (ASBO) meetings in several counties and the NJASBO and School Boards conventions, and conduct workshops and training seminars. Our attendance and participation at these meetings and conferences not only promotes our accessibility but also provides us with timely and critical information on issues affecting school districts so that we can better serve our clients and offer practical solutions to emerging issues or concerns encountered under state regulations and audit requirements.
- **Quality** - Nisivoccia, LLP subscribes to a high level of System (Peer) Review, which in effect, is an audit of our quality control system. A copy of our unqualified System Review Report is included in Appendix I of this proposal. In our last five reviews, we received unqualified reports (no deficiencies) as well as no letter of recommendations. Quality is an attribute which is pervasive in our operation, from the staff we recruit to the final report we produce.
- **Independence** - We as professionals, especially in our capacity as auditors, have policies and procedures in place within the firm which ensure that our independence as a firm and as individuals assigned to each engagement are completely independent on all of our audit engagements. These policies and procedures ensure that our judgment is not compromised and that we can continue to serve our clients' best interests at all times.

The Honorable President and Members of the
Board of Education
Union Township School District
March 14, 2016
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These attributes have enabled us to exceed our clients' expectations and achieve very high client satisfaction and retention. What sets us apart from other public accounting firms is not only our size and breadth of experience, but also our accessibility, availability and responsiveness to our clients. We welcome the opportunity to guide and assist you on financial matters through continuous communication during the course of the year in order to identify and make suggestions concerning policies, procedures and controls, provide potential solutions to questions or difficult situations as they arise, and mitigate any potential year-end findings or recommendations. In addition to our school audit staff, we also have professionals within our firm who have assisted school districts with questions concerning related non-profit organizations (such as PTA's, PTO's, Home and School Associations, Booster Clubs, and Education Foundations), rules surrounding employee benefits such as tuition reimbursement, abatement of penalties and interest associated with late or insufficient tax deposits, and rules pertaining to employee 403b and 457 deferred compensation plans.

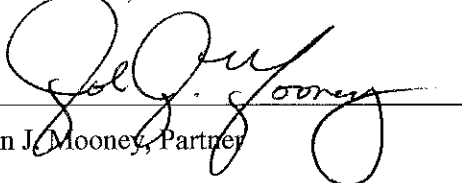
In order to achieve efficiency in performing a complete and thorough audit and to ensure the audit is filed by the statutory deadline, we have developed an in-house audit preparation session to which we invite all of our clients annually in May or June to go over new developments and regulations and provide a concise and helpful list (tailored to each client) of all the information that must be gathered for the audit. Our clients appreciate our dedication to streamline the audit process and have found this session to be extremely helpful in getting their districts ready for their audits. Our staff is very well trained and well supervised, and we approach our audits in a very professional, helpful, and organized manner.

We are grateful for the opportunity to submit this proposal and hope it conveys our enthusiastic desire to be appointed as the Board's Auditor. We view this professional relationship as a partnership with the Board to ensure that the District's financial and compliance audit achieves its intended objectives. Interactive communication with the governing body has a very positive impact upon the effectiveness of the audit, and we encourage the Finance Committee to meet with us prior to the performance of the audit to discuss areas of concern so that they may be incorporated into our audit plan.

The Union Township School District would be an important client to our firm, and we are certain we can satisfy the District's needs for a quality audit and related services. We have included five public school client references, but we encourage you to contact any of our clients. We would be pleased to meet with you to answer any questions, to further discuss our qualifications in comparison to other candidates under consideration, or to submit any additional information you may require in order to make your decision.

Very truly yours,

NISIVOCIA, LLP



John J. Mooney, Partner

SECTION I
THE FIRM OF NISIVOCCIA, LLP

SECTION I - THE FIRM OF NISIVOCCIA, LLP

Nisivoccia, LLP is one of the largest and, we believe, one of the most proficient and respected of the governmental auditing firms based in New Jersey. The firm was founded more than 40 years ago by Raymond Nisivoccia and is a limited liability partnership. In the past ten years, Nisivoccia, LLP has more than doubled the size of its practice and the number of its staff. Growth has been accomplished by attracting distinguished new clients rather than by acquiring existing accounting practices. Importantly, our growth has been and will continue to be planned to assure that all of our clients, existing and new, receive unexcelled, professional services. Our first and foremost objective on any engagement is to render distinguished service in accordance with the highest professional standards. That we have been successful in this aim is evidenced by our reputation for our integrity, objectivity, competence, and independence. We believe that our reputation for quality performance is well recognized by the local business and governmental communities. To maintain this reputation, we make a considerable effort to hire the best people available and to develop their skills through continuing education programs throughout their careers.

We have two offices in New Jersey – one located at 200 Valley Road in Mount Arlington and one located at 11 Lawrence Road in Newton. In addition to the governmental units which we serve, the clients of Nisivoccia, LLP represent all facets of the economy. They range from manufacturing operations with revenue in the many millions to small, individually owned businesses and professional associations, membership organizations and nonprofit organizations who devote their energies to voluntary health and welfare services in their communities. Our office located at 200 Valley Road, Suite 300, Mount Arlington, New Jersey, will service and manage the audit of the Union Township School District.

Accounting and auditing services represent the mainstay of our practice, constituting more than fifty percent of our total service revenue. In addition, we provide a multitude of services in the related areas of tax and management advisory services.

We do not have any judgments, claims or suits pending or outstanding against the firm or its partners. Also, the firm is not currently nor has been involved in any bankruptcy or re-organization proceedings in its over 40-year history. Furthermore, none of our partners or principals has any immediate relatives who are Board employees or elected officials of the Board.

SECTION I - THE FIRM OF NISIVOCCIA, LLP
(Continued)

Professional Affiliations

Nisivoccia, LLP is a member of the American Institute of Certified Public Accountants, New Jersey Society of Certified Public Accountants, and the Private Companies Section of the AICPA Division for CPA Firms. The Division, a voluntary organization, was instituted by the AICPA to provide a high level of quality control by monitoring the performance of member firms.

The cornerstone of the Division's program is system ("peer") review, which is a vigorous, objective, outside look at a firm's accounting and auditing practice. Member firms must be reviewed every three years. Our latest review, which is included in Appendix I of this proposal, resulted in the issuance of an unqualified report and no review comments.

SECTION II
SERVICES TO BE PERFORMED AND APPROACH

SECTION II - SERVICES TO BE PERFORMED AND APPROACH

It is our understanding that the services you will require include an annual audit of the financial statements of the School District in accordance with accounting principles generally accepted in the United States of America, as required by N.J.S. 18A:1, et seq. Our audit of the financial statements will be made in accordance with auditing standards generally accepted in the United States of America, government auditing standards, the "New Jersey School District Audit Program", Single Audit Act, and will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances. In addition to the compliance phase of governmental auditing, our approach, which is consistent with the present state of the art, places great emphasis on looking beyond the accounting entries to the underlying operations and day-to-day business situations which give rise to the entries. We believe that it is important for us to gain an insight into various conditions which affect our clients' financial position and operations. This approach is commonly referred to as the business approach to auditing. In accomplishing this objective, we obtain an understanding of the organization and the systems and procedures which comprise the entity's system of internal accounting controls. As a result, we will formally report to you any significant recommendations for improvement which may be developed during our examination. Such reports protect the entity's assets and often point the way to significant economies, as well as more meaningful information to guide management decisions.

We believe that the key to an efficient audit is having clearly defined objectives and carefully planning the conduct of the examination which can only be done with a full understanding of the operating and financial policies and procedures of the organization and its management. To accomplish these goals, we generally follow the policy of making a formal planning survey and preparing a formal audit plan. This audit plan is prepared and approved by the partner who has responsibility for coordinating and carrying out the examination.

An important objective of our audit plan is to maximize the efficiency of our efforts through the use of the School District's personnel wherever possible in preparing schedules and accumulating data in connection with the audit. To accomplish this objective, we would anticipate being able to prepare a detailed and tailored program specifically identifying those areas and schedules where the School District's personnel can assist us. We expect the School District to comply with the requirements of the checklists of audit as prepared by the State Department of Education in order to be prepared for our audit.

SECTION II - SERVICES TO BE PERFORMED AND APPROACH

(Continued)

The timing and planning of our audit would be discussed with the School District's administration upon our appointment as the Board's Auditors. We make every possible effort to accommodate scheduling requests and preferences of all our clients, and we are certain we can meet the District's desired schedule for performance of the audit field work and verification of the District's ASSA/DRTRS reports. Our firm is committed to statutory deadlines, and we consistently file our clients' annual audits and Comprehensive Annual Financial Reports on or before statutory deadlines.

Prior to the commencement of audit fieldwork, we will schedule an entrance conference with the School District's Business Administrator and staff to discuss the scope of the audit and to become acclimated with events that transpired during the fiscal year. Prior to the issuance of our report, we will schedule an exit conference with the School District's administration to discuss the report and any audit findings or recommendations. Upon issuance of our report, we will meet with the Finance Committee and the full Board to discuss the report and any audit findings or recommendations.

In addition to services related to the School District's financial statements and the expression of our opinion on them, we would also be available to consult with the Board of Education and appropriate School District personnel in all areas which you deem necessary.

Our firm has been engaged by several schools to perform specialized internal control reviews and evaluations. We have assisted in developing policies and procedures relating to all school district funds to ensure that internal accounting and administrative controls are operating efficiently and effectively. We often assist school districts during budget preparation in making fund balance projections and preparing the recapitulation of fund balances. This process of forecasting financial results has served very useful to school districts in planning strategies for the use and reservation of fund balance prior to June 30 and in the subsequent fiscal year. Additionally, our firm offers a variety of other services which would be available to the School District, upon request, such as fund balance projections, debt service projections, review of tax levy and tax rate calculations.

SECTION II - SERVICES TO BE PERFORMED AND APPROACH
(Continued)

Our tax division is headed by one of our tax partners who spent 15 years working for the Internal Revenue Service before joining our firm. As a result, we often perform tax research and offer expert advice to our school clients which ranges from rules on tuition reimbursement and other employee benefits, the differentiation between employees and contractors, various payroll and tax withholding and reporting requirements, and communication with the Internal Revenue Service and Department of Labor regarding notices of levy of penalties and interest associated with tax filings. Our financial services division includes a team of experts who are well versed in deferred compensations plans and regulations and can independently review and compare the various 403b and 457 platforms and products school districts offer to their employees, assist our clients with final pay plan regulations and payouts, and present deferred compensations, personal financial and retirement planning workshops. Our non-profit audit division assists our school audit clients with related non-profit groups (such as Parent-Teacher Associations, Parent-Teacher Organizations, Home and School Associations, Booster Clubs, and Education Foundations) file for 501(c)3 designation and file annual Federal 990 and NJ CRI (Charitable Registration and Investigation Act).

SECTION III
ORGANIZATIONAL SUPPORT

SECTION III - ORGANIZATIONAL SUPPORT

A professional firm is its people. We believe it is our essential purpose to make available to our clients outstanding auditors as well as specialists in a variety of areas, including governmental and school finance. Accordingly, we recruit and develop, we feel, the best talent available. The size and variety of our firm's clientele enable us to staff each engagement as needed with excellent personnel and broaden them with the widest of experience. Because our effectiveness as a service organization is dependent upon our people, we believe in exposing our staff to a broad range of industries and organizations so that they will develop an effective sense of general business in addition to competence as accountants and auditors. Accordingly, assignment of staff to the examination of the School District's financial statements would be for periods of time sufficient in which to bring to bear the benefits of their experience in other audits. Changes in personnel with which the organization has to deal are kept at a minimum.

Our two New Jersey offices have over seventy professional staff, including seventeen partners. The organization is comprised of six basic classifications for professional personnel - partners, principals, managers, supervisors, senior accountants, and staff accountants. The audit team that will be assigned to the audit of the School District will be headed by a partner of the firm, who will have the overall responsibility for the audit engagement.

All of Nisivoccia, LLP's professional staff are college graduates, many of whom are Certified Public Accountants, Public School Accountants, Registered Municipal Accountants, and hold various other professional licenses and degrees.

We, as a firm, have had long-term exposure to a wide range of governmental and other nonprofit clients. Approximately 50% of our staff specializes in and is entirely dedicated to our governmental clients. Our current client list includes municipalities, authorities, county governments, school districts, charter schools, county colleges, joint insurance funds, and libraries. A listing of governmental accounting and auditing clients has been included in this proposal.

SECTION III - ORGANIZATIONAL SUPPORT
(Continued)

Our proposed audit team to be assigned to this engagement will consist of an engagement partner, a consulting partner, an experienced in-charge accountant and various staff accountants as follows:

Engagement Partner - Mr. John J. Mooney, as engagement partner, will have the overall responsibility for the planning, direction, and execution of the annual audit. Under his supervision, all business systems will be reviewed and evaluated. She will not only make suggestions for improvement if necessary, but will also assist in their implementation to ensure that the School will be operating at optimal efficiency. He has almost 20 years of experience in governmental auditing. He is a Certified Public Accountant, Registered Municipal Accountant, and Public School Accountant and has had considerable experience in governmental and school finance.

Consulting Engagement Partner - Mrs. Kathryn L. Mantell, will serve as will function as consulting engagement partner and will assist Mr. Mooney in the planning, direction, and execution of the annual audit and will help direct the audit team to ensure that the audit objectives are met. She is a Certified Public Accountant, Registered Municipal Accountant, and a Public School Accountant. For more than 30 years, she has serviced governmental entities of varied size and complexity. She is deeply committed to see that the best interests of all our clients are continually served.

We feel it is important for the engagement partners to be available on site during the performance of the audit in order to control the time spent and effectively resolve any questions that arise from the School District's administration or the audit staff. When off site, it is our policy and practice to return all of our phone calls and messages on a daily basis so that we are completely accessible to all of our clients.

This management group will be joined by one of our in-charge accountants who has at least ten years' experience in the performance of school audits and will be responsible for completion of the fieldwork and direct supervision of other staff accountants who will be assigned to your account.

The partners and in-charge accountants assigned to our school audit clients have had extensive experience dealing with and resolving all types of public school financial and accounting issues including those related to Handbook 2R2 and GAAP as well as a number of payroll and accounting software packages utilized by public school districts and often lend extensive and valuable technical support.

SECTION IV
PROPOSED AUDIT FEE AND TIMING OF THE AUDIT

SECTION IV - PROPOSED AUDIT FEE AND TIMING OF THE AUDIT

We are sensitive to your responsibility and ours for the control of costs, and we will cooperate fully to minimize our fees while maintaining the quality of our services. Your engagement has been categorically budgeted, based on current records and their condition, and the time expended will be monitored against that budget.

We have reviewed the District's Comprehensive Annual Financial Report ("CAFR") and Auditor's Management Report ("AMR") for the fiscal year ended June 30, 2016 in order to become familiar with the District, its financial condition, and audit findings. We also met with the District School Business Administrator and Assistant School Business Administrator in order to gain an understanding of the District's operations through a discussion of the Business Offices' staff and their responsibilities, policies and procedures, and preparation of financial reports. We have extensive knowledge and familiarity with the District's accounting software and can provide technical/accounting support, if needed.

Based upon our review of the District's CAFR and AMR, discussion with the District's Business Administrator and Assistant Business Administrator, and our past experience with audits of school districts of similar size and complexity, we are proposing our fees for the audit for the year ending June 30, 2016 to be \$50,000-\$52,500, depending upon the condition of the records and other possible unknown factors. Our fee assumes no major change in the District's staffing or accounting records, no major changes in accounting principles or auditing requirements, and that the records of the school are in an acceptable condition for the audit.

Our fee includes performance of the annual audit required by the Department of Education, implementation of GASB 68, verification of the Application for State School Aid ("ASSA") and District Report of Transported Resident Students ("DRTRS"), federal and state single audits as required, preparation of the Comprehensive Annual Financial Report ("CAFR"), preparation of conversion of the School District's financial statements into the GASB #34 reporting model, assistance in the preparation of the introductory (MD&A) and statistical sections of the CAFR from information provided by the School District, preparation of the "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" and the Audit Summary ("AUDSUM") required by the NJDOE.

SECTION IV - PROPOSED AUDIT FEE AND TIMING OF THE AUDIT

(Continued)

We have found from our years of experience that open communication and collaboration of effort improves audit efficiency and effectiveness. Our fee includes continuous communication with administration on all financial matters throughout the year, which we encourage, in order to be kept apprised of any new developments, critical issues and potential problem situations that can be effectively addressed prior to year-end and minimize year-end audit findings and to create an opportunity for us to provide you with expert financial guidance and advice.

Our fees for any additional services that may be required or that you may request, such as assistance with the preparation or reconciliation of the School District's records, debt management plans, bond sales, tax rate projections, fund balance projections, special research projects, or other services would be billed at our standard hourly rates which vary according to the level and range of experience of the personnel to be assigned to the engagement based upon the services to be performed.

Our standard hourly rates are \$150-\$175 for partners, \$125-\$145 for managers and supervisors, \$110-\$125 for senior staff accountants and \$95-\$105 for junior staff accountants. Additional services would be performed only if discussed in advance with you or requested by you.

SECTION IV - PROPOSED AUDIT FEE AND TIMING OF THE AUDIT

(Continued)

Our firm is devoted to providing our clients with personal services. Although we have the resources and capabilities of a larger firm, we choose to operate like a small firm. Our staff is diversified in experience and is closely supervised by the engagement partner (both onsite and offsite) in the performance of their duties. We are confident that we not only have the staff and expertise but also the availability to assist you and provide technical support on any issues at any time throughout the year.

We expect to spend three to five days prior to the performance of the audit fieldwork planning the audit and performing interim audit procedures. These procedures generally consist of meeting with the School District's Business Administrator to discuss important events which transpired during the year and provide a list of the information which will be needed from the School District in order to perform the audit and prepare the CAFR, reviewing the School District's latest financial reports to identify any obvious journal entries or adjustments which may need to be posted, reading the minutes of the Board of Education, evaluating and testing the School District's internal controls, and other procedures to plan and determine the scope of the audit.

The audit procedures necessary to complete the examination will take approximately three weeks and will be performed subsequent to June 30. We assign our staff to all our School District engagements (with the expectation that the in-charge who will have several years' experience in School District auditing will not change from year to year unless requested by you or some other unforeseen circumstance) and prepare the schedule for the completion of all audit fieldwork throughout the entire school audit season during June.

We will contact the School District's Business Administrator/Board Secretary to discuss the timing of your audit and schedule the audit fieldwork based upon his projection of the Business Office's readiness for the audit. We also conduct a meeting with our clients annually in June to discuss any new audit requirements and to provide information and assistance to the School District's staff for the preparation for the audit. We have found that this meeting is very helpful to our clients, creates audit efficiencies, and streamlines the audit process. The engagement partner will be in contact with the School District's Business Administrator both on and off site during the engagement.

SECTION IV - PROPOSED AUDIT FEE AND TIMING OF THE AUDIT

(Continued)

We expect to deliver draft reports approximately two to three weeks after our last day of fieldwork to the School District's Business Administrator/Board Secretary. At that point, we would schedule an exit conference with the School District's administration to discuss the audit and any findings or recommendations approximately one week after delivery of the draft reports. We expect to finalize the draft reports within one week after the exit conference and deliver the audits to the School District before the statutory deadline of December 5th. We would then contact the School District's Business Administrator/Board Secretary to arrange to present our report to the Finance Committee and/or the full Board at a regularly scheduled meeting.