



# MITCHELL TITUS

March 10, 2023

Julie Johnson  
Audit Committee Chair  
Town of Dewey Beach, Delaware  
105 Rodney Ave.  
Dewey Beach, Delaware 19971

Dear Ms. Johnson:

Thank you for the opportunity to present our credentials to perform audit services for the Town of Dewey Beach, Delaware (the Town).

As a professional services firm specializing in serving large governmental organizations, Mitchell & Titus, LLP (Mitchell Titus) offers our clients a proven service delivery approach that results in providing efficient, cost-effective services and commitment from our most experienced people. We work with organizations to help provide impactful solutions. Our commitment to achieving excellence inspires our commitment to you.

Founded in 1947, Mitchell Titus has principal offices in Washington, DC; Baltimore; New York; Newark; Philadelphia; and Chicago. We adhere to leading-edge quality, risk management, and independence procedures and use innovative technology resources, as well as our established knowledge base and the deep resources of an exceptional professional services organization.

We take pride in our reputation for providing high-quality, responsive service to our clients. Our core team of Assurance professionals selected to serve the Town is attuned to the laws and regulations affecting governmental and public sector organizations. The key differentiators of the Mitchell Titus team are our depth of past experience with me, Dan Kenney, leading your engagement, our ability to execute seamless service delivery for the Town, and the seasoned perspective and skills our professionals bring to every audit. Our team uses an integrated, coordinated, and consistent approach to deliver exceptional client service that is underscored by proven quality and professionalism. These are just a few reasons why Mitchell Titus is the best choice to serve as your professional audit services provider.

Mitchell Titus understands the Town requires professional audit services, beginning with a three-year contract covering the fiscal years ending March 31, 2023, 2024, and 2025, and two one-year extensions. We also understand that in addition to examining and reporting on the Town's internal control structure, including recommendations on findings, if any; reviewing the Town's revenue sources and operations/expenditures to ensure a full accounting of revenue and expenses; and, reviewing the Town's use of petty cash funds and associated accounting procedures, we commit to performing the audits and providing the following deliverables within the established timeframe required to meet the Town's needs:

- Perform an audit on the Town's basic financial statements in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of the Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Uniform Guidance

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## MITCHELL TITUS

- A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America
- A report on compliance and internal control over financial reporting based on an audit of the financial statements
- A report on compliance and internal control over compliance applicable to each major federal program in accordance with the Uniform Guidance

Additionally, we understand that the Town requires:

- Assistance preparing statements, schedules, and with the implementation of GASB 68, Accounting and Financial Reporting for Pensions
- Preparation of a management letter for the Audit Committee containing suggestions for improvement of internal controls and accounting procedures
- Printed and bound copies of all required reports
- Review and discussion of any and all matters
- Review security controls are implemented and enforced for the Town's IT based on the COSO framework

With Dan's previous experience auditing the Town and Paul being a Rehoboth Beach, Delaware resident and in close proximity to the Town's office with the ability to be on-site, as needed, you have our personal commitment that the Mitchell Titus team will deliver quality and responsive services to the Town. Mitchell Titus confirms our ability to perform the required services and to issue reports thereon. We will make available to you the full resources of Mitchell Titus.

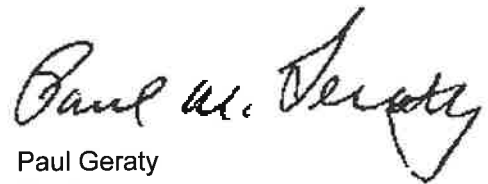
We expand on these topics throughout this proposal, which we are confident demonstrates our ability to deliver quality, attentive client service as the Town's professional service provider. The Town has our commitment to quality, responsiveness, and integrity and can rely on the full resources of Mitchell Titus.

Please contact me, Daniel J. Kenney, Partner, by telephone at 202 466 0169 or via email at [DKenney@mitchelltitus.com](mailto:DKenney@mitchelltitus.com) or Paul Geraty, Partner, by telephone at 202 466 0171 or via email at [PGeraty@mitchelltitus.com](mailto:PGeraty@mitchelltitus.com) with any questions that may arise as you read through our enclosed proposal.

Sincerely,



Daniel J. Kenney  
Partner



Paul Geraty  
Partner



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# Executive summary

## The right team, the government right experience

We are extremely proud of the team members we have selected to serve you. Mitchell Titus' professionals will bring you the technical skills, knowledge, dedication, and most of all, commitment you need to meet the challenges ahead. Their technical competence and project management skills will build your confidence and trust in our abilities to get the job done right—the first time.

Our core team includes Dan Kenney, as your Engagement Partner, who has institutional knowledge of the Town and will ensure that our team becomes well-versed with your operations and controls. Paul Geraty, as your Concurring Partner, will provide exceptional quality assurance; Stephen Baloga, as your Technical Advisor, will provide consultation to you on any technical matters; Venkanna Alkunta, Senior Manager, will oversee the engagement and proactively ensure that the breadth and depth of our team's experience and skills are brought to the specific functions of the engagement. Our team is ready to work with the Town immediately to provide an informed perspective on your financial reporting. They bring to the Town specific, relevant experience gained from many years of working with entities similar in size and scope. Our professionals will work hard and leverage their considerable institutional and industry knowledge and experience to your benefit.

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## A relationship based on open communication

To provide a high level of service, we will co-develop an approach that will become the foundation of our successful relationship. We will strive to meet your communication expectations, avoiding surprises and providing effective status reports as well as feedback obtained from performing the audits.

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## Commitment to meeting your needs

Mitchell Titus strongly values the personal commitment of our people and their sensitivity to our clients' needs. Our team will be committed to being proactive, accessible, and to quickly developing a thorough understanding of your operations. We will ensure that the full extent of our resources will always be accessible for the benefit of the Town.

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## Commitment to providing the highest-quality service

The concept of quality begins with delivering high-quality professional services. Our reputation is built on providing independent, objective, and ethical professional services, which are paramount to our success as independent auditors. Our proposed engagement team is eager to serve the Town and they will be focused on meeting your needs. We have much to offer you, including our exceptional service delivery approach and a commitment from our most experienced and knowledgeable professionals—all focused on providing quality service and cultivating a successful long-term relationship with you.

**We would be truly honored to serve the Town, and our most knowledgeable and experienced professionals are eager to begin working with you.**

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# License to **practice in Delaware**

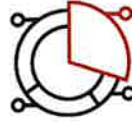
**O**ur firm has submitted an application to receive a license to practice in the State of Delaware. However, all assigned key professional staff are properly registered/licensed to practice in the State of Delaware.

# Firm qualifications and experience

**M**itchell Titus, the nation's largest minority-controlled CPA and business advisory firm providing assurance, advisory and tax services, was founded in 1974 in New York State. Mitchell Titus maintains offices in Washington, DC; Baltimore; Philadelphia; Newark; New York Town; and Chicago. The firm has a talented national staff of approximately 120 professionals. The professionals in our dedicated Government practice have significant government and public sector experience that is distributed across our regional office locations. Mitchell Titus does not intend to use any subcontractors on this engagement. A number of our team members, when employed by Mitchell Titus, as well as by other auditing firms, have served many bureaus, component units, commissions, departments agencies, authorities, plans, programs, etc., including Dan Kenney, Engagement Partner, who managed the Town engagement for a number of years as a partner with CohnReznick, LLC, thereby demonstrating our commitment to serving the Government sector.



**Assurance**



**Tax**



**Advisory**

The firm provides a full range of services through its Assurance, Tax, and Advisory practices to a diversified client base across all four industry-specialized practices:

Government and Public Sector	Employee Benefit Plans	Commercial	Not-for-Profit
<ul style="list-style-type: none"> <li>Town, state, federal agencies</li> <li>Authorities, boards, and commissions</li> <li>Public benefit corporations</li> </ul>	<ul style="list-style-type: none"> <li>Health and welfare</li> <li>Defined contribution pension</li> <li>Defined benefit pension</li> <li>Deferred compensation</li> <li>Union plans, Cash balance, Profit sharing</li> <li>401(k), Leveraged employee stock ownership</li> </ul>	<ul style="list-style-type: none"> <li>Asset management</li> <li>Real estate</li> <li>Private equity</li> <li>Fortune 1000</li> <li>Strategic growth markets</li> </ul>	<ul style="list-style-type: none"> <li>Social services organizations</li> <li>Membership organizations</li> <li>Private and corporate foundations</li> <li>Community development, Health care</li> <li>Educational institutions</li> <li>Cultural arts</li> <li>Civic organizations</li> </ul>

# Government and Public Sector practice

A key component of our ability to provide clients with high-quality, consistent service is industry specialization. Industry focus means we recruit, train, and reward our professionals within the context of industry specialization. We develop technologies and processes that are guided by industry considerations, and we staff engagements with professionals who have extensive industry experience, over and above their technical and functional skills.

Mitchell Titus has made significant investments in growing our Government and Public Sector practice. Mitchell Titus' strong and active practice performs accounting, auditing, financial control, and financial compliance support services for clients in the federal, state, and local government arenas. We provide audit and accounting services to many large government entities annually, much of which are conducted in accordance with *Government Auditing Standards*. These engagements require an extensive knowledge of legislative and accounting requirements for federal, state, and local government entities.

## Our government clients

While a significant amount of our work involves financial statement audits and Single Audits, we also provide a broad range of audit-related services to public sector clients. Included among our clients are federal, state, and local governments, their departments, special districts, and authorities. Members of our team have served varied, complex, and prestigious public sector organizations. With team members who have audit experience serving Delaware, Pennsylvania, Maryland, West Virginia, the State of New York, New Jersey, the Town of New York, and Washington, DC, we are strongly positioned as a leader in serving governments.

Mitchell Titus recognizes the importance of effective and efficient government operations/internal controls and works to educate governmental organizations regarding relevant leading practices and solutions to help strengthen their operating and financial processes.



# External quality control review

Our attention to quality is evident in our adherence to high standards of professional and business ethics and in the credentials of our staff. We undergo a peer review process every three years and conduct internal inspections annually. The following letter, which included a review of specific governmental engagements, is our most recent peer review that occurred in 2019.



CliftonLarsonAllen LLP  
CLAconnect.com

## REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

Partners of Mitchell & Titus, LLP and the  
National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Mitchell & Titus, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended February 28, 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](http://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 and an audit of a broker-dealer.

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 Mitchell & Titus, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended February 28, 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*. Mitchell & Titus, LLP has received a peer review rating of *pass*.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Bellevue Washington  
November 18, 2019



Mitchell Titus has voluntarily agreed to adhere to stringent oversight, peer review, inspection, and compliance actions from the AICPA and the PCAOB. We believe that this enhances the quality of our practice and results in significant value to our clients.

In today's competitive environment, setting and achieving high standards is expected — and it is good business, too. Delivering high-quality professional services is embedded in our client service delivery process and a core part of our team's service model. This is a key factor in differentiating Mitchell Titus from other firms. Our quality control program includes independent engagement quality reviews of all client engagements, an annual internal quality control review that is far more extensive than the triennial peer review, on-the-job quality reviews, and strict independence requirements. Staff audit personnel through partners maintain technical proficiency by participating in mandatory training. On average, formal education hours far exceed professional requirements. In addition, we mandate industry-specific education for all personnel, from managers through partners.

### **Quality control approach**

We will employ a quality control (QC) framework that is comprised of supporting processes, procedures, and metrics. This framework will allow us to deploy a consistent approach to controlling and maintaining the quality of deliverables and reducing project risk. Our QC plan will document how we will meet, comply with, and continually monitor, the QC standards established in the Project Plan. QC activities will include an independent internal review of work papers and deliverables to maintain quality, in relation to the reviews, standards, metrics, checklists, work papers, and reports that will be utilized. We will use standard checklists to validate that the deliverables meet expectations. Checklists will also be used to validate all processes within that stage have completed in accordance with QC standards.

## **Our affiliation with the AICPA and other standard-setters**

Financial reporting by governmental units continues to undergo rapid change, and the Town must comply with accounting pronouncements of the Governmental Accounting Standards Board (GASB) in the coming years.

Our firm has a long history of conducting audits of financial statements that meet these ever-changing requirements. Our partners and audit executives have served on industry committees and have had responsibilities for establishing accounting and reporting standards and audit criteria for governmental entities. We pride ourselves on being well-positioned to provide early warnings and insights to you on how the activities of these organizations will affect your organization.

### **Technical guidance on adopting new accounting GASB pronouncements**

We will be readily available to steward the implementation of these standards, keeping the Town in compliance. Mitchell Titus' team is poised to handle the analyses required to assess the impact of new standards on the Town's policies. Our core team of familiar, seasoned audit professionals selected is attuned to the operating environments affecting the Town — they will bring a fresh perspective to your operations and improved processes. Our team reliably uses an integrated, coordinated, and consistent approach to deliver exceptional client services, which is underscored by proven quality and professionalism.

We pride ourselves on our past experience of assisting our audit clients with technical matters, including the adoption of new accounting (GASB) pronouncements. Our engagement team members have extensive experience in assisting state and local government audit and advisory clients with their implementation of new GASB accounting standards and look forward to the opportunity to serve and support the Town's team.

## Single Audit experience

We also perform Single Audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Uniform Guidance. We know how to conduct Single Audits, and our experience performing them at the city level reinforces our ability to deliver consistent service to you. The largest Single Audit that we work on is the Pennsylvania Higher Education Assistance Agency, a national provider of student financial aid services, with annual federal award expenditures of approximately \$30 billion. We also work on the Single Audit of Amtrak, which receives approximately \$2 billion in federal awards annually.

We also are frequently asked to perform program audits required by our clients' funders, including government funding agencies. These audits involve testing expenditures charged to grants and contracts, reviewing actual costs versus contract budgets and investigating variances, testing compliance with key contract provisions and performance requirements and testing relevant internal controls. As part of these audits, we gain an understanding of key financial and other processes impacting contract performance and test internal controls over billing and drawdowns, expense reviews and approvals, transfers between programs, eligibility considerations, gathering and reporting performance data for performance-based contracts and other contract management and compliance considerations. Given our experience, we understand key risk areas that should be addressed in audits of federal grantees.



## References

We believe the best reflection of our work comes from talking to clients with whom we have performed similar engagements. We invite the Town to learn more about our capabilities by speaking with these clients:

### Local Government Insurance Trust

Name	Address	Contact information
J. Earle Byer Director of Finance & Information Technology Service	7225 Parkway Drive Hanover, MD 21076	Tel: 443 561 1700 <a href="mailto:earle@lgit.org">earle@lgit.org</a>

**Scope:** Audit of the financial statements.

**Date range:** 2022 – Present

### Pennsylvania Convention Center Authority, a component unit of the Commonwealth of Pennsylvania

Name	Address	Contact information
Carol Hunt Vice President of Finance	1101 Arch Street Philadelphia, PA 19107	Tel: 215 418 4765 <a href="mailto:chunt@paconvention.com">chunt@paconvention.com</a>

**Scope:** Audit of the financial statements.

**Date range:** 2000 – Present

### The Port Authority of New York & New Jersey (PANYNJ)

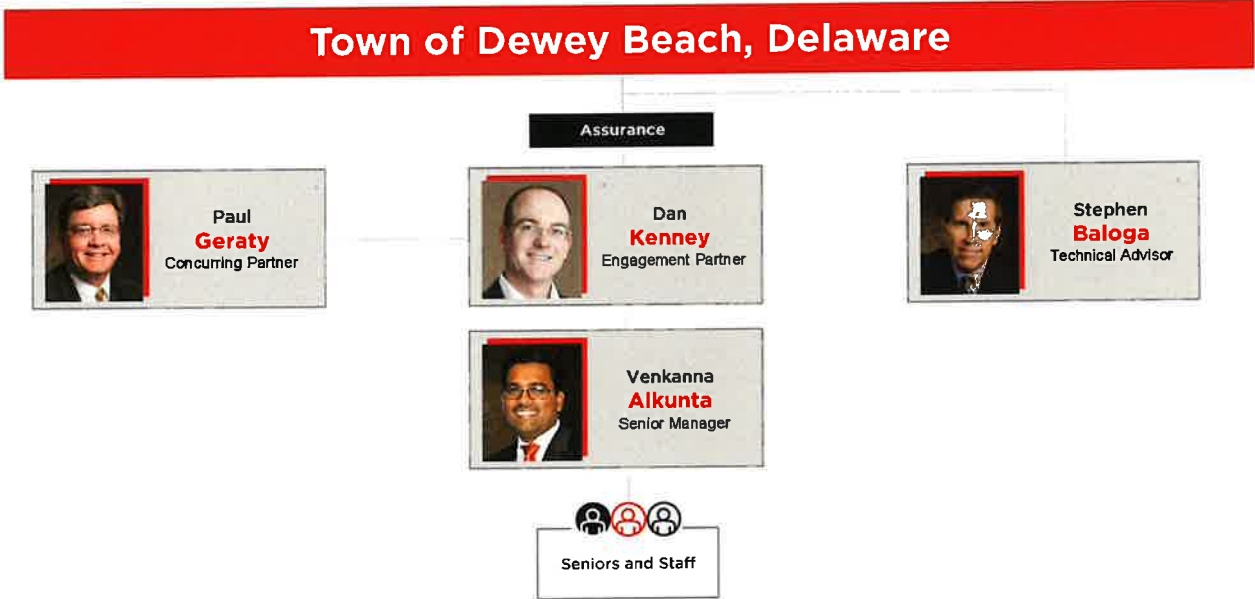
Name	Address	Contact information
Daniel McCarron Comptroller	2 Montgomery Street, 3rd Fl Jersey City, NJ 07302	Tel: 201 395 3400 <a href="mailto:dmccarro@panynj.gov">dmccarro@panynj.gov</a>

**Scope:** Audit of the financial statements of select properties owned by PANYNJ; the PANYNJ Other Postemployment Benefits Plan; and agreed-upon procedures relating to the PANYNJ's National Transit Database Report.

**Date range:** 2018 – Present

# Our team to serve

We know that the engagement team to serve the Town is critical to your decision-making process. We understand that you are looking for specialized staff who understand governmental auditing. Therefore, our client service team includes our most experienced government professionals to demonstrate our commitment to meeting your expectations. All team members meet Delaware State licensing requirements, have not been subject to any disciplinary action in the State of Delaware during the past three years, and are independent as defined by applicable auditing standards. The following organization chart illustrates our team to serve:



Our core team includes these key members who are all licensed to practice as a certified public accountant in Delaware and will be serving the Town on a full-time basis:

<p><b>Dan Kenney</b> Engagement Partner</p>	<p><b>Dan Kenney</b> will have overall responsibility to ensure that the engagement is completed on time and to the Town's satisfaction. Dan will serve in this capacity by virtue of his extensive previous experience as engagement partner for many government audits, including those of the Town. Dan will serve as one of our principal points of communication with the Town and be our final reviewer. Dan has led the audits of numerous other federal, state, and local government financial statements.</p>
<p><b>Paul Geraty</b> Concurring Partner</p>	<p><b>Paul Geraty</b> will provide guidance to the team members on all matters related to the engagement. He will discuss issues as they arise to help formulate recommendations based on his many years of serving as engagement partner for these types of audits. Paul will also actively participate in internal planning meetings to discuss the team's audit approach. Paul has led the audits of numerous other federal, state, and local government financial statements.</p>
<p><b>Stephen Baloga</b> Technical Advisor</p>	<p><b>Stephen Baloga</b> will provide technical guidance on all matters related this engagement. He has significant experience serving the firm's government clients and will be a valuable source for our team on the Town's engagement.</p>

**Venkanna  
Alkunta**  
Senior  
Manager

**Venkanna Alkunta** will provide overall supervision for our staff members who will be involved in performing audit procedures. He will assist Dan in solving problems and communicating with the Town's officials. Venkanna's involvement on many large government engagements, serving a wide variety of clients, demonstrates that he has the necessary skills to effectively fill this role.

Complete biographies of our team to serve the Town are as follows:

## Dan **Kenney** Engagement Partner

**D**an Kenney is an Assurance Partner with more than 25 years of experience serving private companies, not-for-profit organizations and state and local governments.

Dan has prepared and presented numerous training seminars on various accounting, auditing regulatory requirements, including the application of OMB Uniform Guidance and GASB technical bulletins. Dan is an instructor with the MDGFOA and teaches the intermediate governmental accounting course on an annual basis. Dan has significant experience performing audits subject to federal regulations. He understands the internal control and compliance requirements applicable to entities and agencies receiving federal awards.

Dan's government sector experience includes Maryland cities, such as College Park, Rockville, Bowie, Havre de Grace, Ocean City, Hyattsville, Gaithersburg, Greenbelt, and La Plata; counties, such as Howard, Carroll, Harford, Talbot, St. Mary's, Charles, and Calvert; and, entities, such as Cecil County Public Schools and Public Library, Howard County Library, Howard County Economic Development Authority, Maryland Community Development Administration, Maryland General Assembly, and Maryland Health and Higher Education Facilities Authority. Dan also audits 401(k) plans for clients, such as Bozutto Associates, Old Mutual, Sinclair Broadcasting, Educate, and Quorum Hotels.

Dan graduated from Towson University with a BS in Accounting. He is a CPA licensed in several states. Dan is a member of many professional affiliations, including the AICPA, Maryland Association of Certified Public Accountants, Maryland Government Finance Officers Association and National Council of State Housing Agencies.



# Paul Geraty Concurring Partner

**P**aul Geraty is an Assurance Partner with over 35 years of experience in public accounting. Paul retired from KPMG's Government Audit practice in Washington, DC after 25 years, with 20 years as an audit partner. His experience included working with large, complex federal, state, and local government agencies and non-profit organizations. Prior to rejoining KPMG in July 1994, Paul had more than 10 years of experience performing financial statement audits for other large national and regional CPA firms. Additionally, upon his initial retirement from KPMG, Paul supported the Maryland State Department of Education (MSDE) Audit Office where he performed Desk Reviews of MSDE subrecipient financial statements and Single Audit reports to ensure compliance with the Uniform Guidance, the Code of Maryland Regulations, and U.S. GAAP. Paul's state and local government financial statement and Single Audit experience includes: District of Columbia: Government of the District of Columbia (District-wide CAFR and Single Audit); Washington Convention Center Authority; District of Columbia Water and Sewer Authority; DC Housing Authority. Such audits also included the audits of the DC Government EPBs and retirement plans.



Maryland: Anne Arundel, Baltimore, Calvert, Howard and Prince George's counties; City of Baltimore; School Districts of Baltimore, Calvert, and Prince George's counties; Housing Authorities of Calvert, Montgomery and Prince George's counties; Maryland-National Capital Park and Planning Commission; Maryland Food Center Authority; as well as the Local Government Insurance Trust. These Maryland State and Local Government Audits also included audits of their respective EBPs and retirement plans.

Virginia: Arlington, Loudon, and Prince William counties; Housing Authorities of Roanoke, Norfolk, and Fairfax County; Virginia Housing and Redevelopment Authority; School Districts of Arlington, Loudon and Prince William counties; Fairfax County Water Authority; Cities of Falls Church and Manassas. These Maryland State and Local Government Audits also included audits of their respective EBPs and retirement plans.

Since joining Mitchell Titus, Paul has served as the concurring partner on numerous engagements, including the following financial statement audits: Anixter Inc., Employee Benefit and Retirement Plans; The Barack Obama Foundation 403(b) Plan; Bcom3 Cash Balance Plan; Community Behavioral Health 403(b) Plan; Chicago Park District Harbors; Employment and Employer Services, Inc.; Exelon Corporation Retirement Program; The Fund for Public Schools, Inc.; DC Government ACFR and Component Financial Statements.

Paul was also one of the KPMG partners approved to conduct the KPMG-required Quality Assurance (QA) reviews of audits of Federal award programs conducted in accordance with the Office of Management and Budget's Uniform Administrative Requirements and perform KPMG-required QA reviews of KPMG's audits of state and local government client's application of the accounting and financial reporting standards for pension and OPEB plans. Paul also has experience performing audits of the operating effectiveness of organizations' internal controls over financial reporting and compliance. This experience includes the audits of the U.S. Department of Homeland Security, the Social Security Administration, and the Bureau of Engraving & Printing. Additionally, § 200.303 of Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires non-Federal entities that receive Federal awards to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms

and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Paul also has significant experience performing audits of non-Federal entities that have received Federal awards in accordance with the Uniform Administrative Requirements, which require the auditor to perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs. As such, Paul has significant experience testing the operating effectiveness of internal controls over financial reporting and compliance with laws and regulations.

Paul earned a BA in Accounting from Loyola University of Maryland. He is a licensed CPA in several states and is a Certified Government Financial Manager. Paul is a member of the AICPA, the Association of Government Accountants, as well as the GFOA. Additionally, Paul is an adjunct professor at the University of Baltimore, where he has been teaching Governmental Accounting and Auditing for the past three years. Paul earned a BA in Accounting from Loyola University of Maryland. He is a licensed CPA in several states and is a Certified Government Financial Manager. Paul is a member of the AICPA, the Association of Government Accountants, as well as the GFOA. Additionally, Paul is an adjunct professor at the University of Baltimore, where he has been teaching Governmental Accounting and Auditing for the past three years.

## Stephen **Baloga** Technical Advisor

**S**tephen A. (Steve) Baloga is an Assurance executive with over 35 years of experience in public accounting. Steve was a former partner at Ernst & Young. He serves primarily state and local government clients.

Steve has significant experience dealing with federal, state and local government grant programs. He has conducted compliance audits of financial assistance programs in accordance with Government Auditing Standards, the Uniform Guidance (and the superseded OMB Circular A-133), state grant audit requirements, and various grantor audit guides. He has served as audit engagement and independent review partner for some of the largest governments in the U.S., including the State of Delaware, Commonwealth of Pennsylvania, State of Maryland, State of West Virginia, various cities, counties and municipalities, as well as not-for-profit subgrantees. He participated in the audits of major federal agencies (U.S. Departments of Education and Health and Human Services). He has taught courses on compliance with laws and regulations for the firm’s personnel, state and city audit agencies, and client grants management personnel. He is familiar with various grants management systems, including best practices for financial assistance program administration. He has authored dozens of findings related to financial assistance program noncompliance, and he is familiar with the corrective action and resolution processes employed by federal, state and local government entities.

Steve earned a BS in Accounting from Pennsylvania State University. He is a CPA in various states and a Certified Government Financial Manager. Steve is a member of the AICPA, the Association of Government Accountants, the GFOA and the Pennsylvania Institute of Certified Public Accountants.



# Venkanna **Alkunta** Senior Manager

Venkanna Alkunta, Senior Manager, brings over 15 years of experience serving governmental entities. He worked with Big Four firms (Deloitte and EY) for seven years. He has experience with all facets of the reporting management process, including the issuance of financial statements and communication with those charged with governance. He specializes in financial statement and compliance audits, having extensive knowledge of *Government Auditing Standards*, the new OMB guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and agreed-upon procedures. When leading engagements, Venkanna leverages his extensive experience with financial planning and analysis.

He has managed financial and compliance audits of large governmental, not-for-profit and commercial entities, including engagements for the Government of the District of Columbia, the University System of Maryland (which includes 12 universities), Pennsylvania Turnpike Commission and Pennsylvania Convention Center Authority, Philadelphia Municipal Authority and Local Government Insurance Trust. As the manager on these engagements, Venkanna was involved in planning the audit, reviewing internal controls walkthroughs, reviewing testing of internal controls, substantive testing and the report issuance process.

Venkanna examines and analyzes clients' operations, internal controls and systems, accounting records for reliability, adequacy, accuracy and compliance with legal regulations, develops audit programs and testing procedures based on risk assessments and reviews work and deliverables to ensure compliance with firm and professional standards.

Venkanna graduated from Osmania University, Hyderabad, India with a major in Accounting. He is a licensed CPA and a member of the AICPA.



# Disciplinary action with state regulatory bodies or professional organizations

Mitchell Titus has had no federal or state desk reviews or field reviews of our audits in the past three years. In addition, Mitchell Titus has not been subject to any disciplinary actions with state regulatory bodies or professional organization during the past three years.

## Engagement approach

Our proposed engagement work plan includes the following elements that we wish to emphasize.

### Identify, understand, and deliver on your expectations

We are eager to develop a relationship with the Town and meet your expectations. We believe that our team will provide significant value to the Town.

We understand that a successful audit is driven by a strong audit methodology that adapts to your organization and depends upon seamless coordination and effective communication with individuals who may represent a number of diverse backgrounds.

To that end, the breadth of diversity of experiences and personal backgrounds possessed by our staff significantly contribute to our ability to operate with the utmost of cultural compatibility with our clients.

Our audit methodology and approach are critical components of delivering a quality and timely audit to our clients.

The first step in building our relationship with the Town is to understand your expectations. We will meet with management to develop a list of expectations for the upcoming audits. These expectations will include your preference on the frequency and format of communications, as well as your definition of “value” in terms of audit and consultative services. Next, we will focus on three service levels:

**Audit assurance:** Efficient and effective audit assurance will be the core of our relationship with the Town. As such, our audit relationship begins with identifying risk.

**Business insight:** Our auditors are primed to know government. Our audit depends on understanding your organization. We will utilize our suite of professional services tools and industry-focused information to help bring you insight and ideas that work as well as Dan’s prior experience serving the Town.

**Understanding your vision:** Our goal is to see the Town through your eyes. Our years of prior industry experience, provides us with this capability, enabling us to align our audit professionals with your key initiatives to perform a quality audit.

# Audit service delivery approach

Our audit methodology approach, outlined in the following section, details the key aspects of our audit, the scope of which is strengthened by our diligence in providing frequent, transparent communication regarding the planned effort, scope, and any audit findings, making every possible effort to avoid surprises throughout the audit process.



Based on our experience of auditing governmental organizations, including Dan's past experience in providing audit services to the Town, we have designed a flexible approach reflecting your operations, which is key to executing an efficient and effective audit.

The stages of our audits will be as follows:

## Planning

We will establish our understanding of management's audit needs, expectations, and service delivery requirements, including communication protocols, to help us define the scope of our services and build a team and approach that addresses the Town's needs effectively.

Since Dan Kenney, your proposed Engagement Partner, has served the Town for several years, there is no need to meet with your prior auditors. Additionally, the transition from your prior auditor to Mitchell Titus will be efficient and effective, requiring the least amount of time by the Town's team.

## Strategy and risk assessment

We will gain an understanding of the current and emerging developments that may affect your operating and control environment, as well as financial reporting requirements. Our goal is to identify business risks and link those risks to financial statement implications. We will document our understanding using narratives and will confirm our understanding of the process by performing a walkthrough. During our walkthroughs, we will consider both automated and manual controls. We will spend the time to clearly understand how you leverage IT to support your financial statements, as well as the type and extent of controls in place.

## Execution of a customized approach

Our approach to performing financial statement audits is collaborative. We believe that leading practices in conducting an efficient and effective audit result from management's active participation in the audit planning process. This includes gaining insights from you regarding the key business and financial risks as they relate to the Town's financial statements. With a thorough understanding of the risks facing your organization, we establish procedures that are customized based on your significant accounts, disclosures, and classes of transactions, as well as our assessment of risk of error or fraud. Our procedures include tests of controls and substantive tests of details of significant account balances and transactions. In certain cases, rather than testing controls, we may determine it is more efficient to design

substantive audit procedures that are sufficient to support the related account balance and identify potential errors of audit importance. Our flexible approach will allow us to meet the objective of designing an effective and efficient testing strategy that reflects how the Town operates while minimizing any disruption to the Town's personnel.

## Conclusion and reporting

This phase consists of all of the quality control procedures that we have instituted before issuing our auditor's report on the financial statements. We will work with you to complete our audit of the Town's financial statements so that they are issued by August 15, 2023, or within 15 days of receiving comments from the Audit Committee, whichever is later.

We will also issue a final annual report to the Dewey Beach Town Council at the first Town Council meeting after the Audit Committee has approved the final report.

## Proactive communication approach

Our reporting to management will be based on the requirements of your financial calendar and the financial statement close process. We will align the contents and schedule of our team communications with these requirements. We are committed to discussing any audit findings with you in a timely manner, as well as defining a set date by which all significant audit issues will be communicated to management to allow for proper remediation time, as applicable. Throughout the audit, based on our testing observations and our industry experience, as well as our ability to provide a new perspective, we expect to provide management with value-added suggestions for enhancement to assist in identifying potential areas for improvement and efficiencies. Our proactive approach will provide early alerts regarding emerging issues and potential changes in accounting principles and standards.

## Detailed audit plan

### Phase I: General planning and identification of areas of audit significance

As previously mentioned, Dan has institutional knowledge of the Town, having served the organization for many years. Therefore, the Mitchell Titus team is ready to begin providing external audit services to the Town immediately. The Town will not need to spend any time with a new professional services firm related to providing information about its FY2022 audit of the Town's financial statements.

We will begin our audits by meeting with the Town's management and our client service team soon after our appointment as the Town's auditor to jointly discuss expectations for the audits. In these meetings, we will validate our approach with the Town, making sure we address your concerns effectively. In this manner, we gain an understanding of the Town's organizational issues and expectations, which, in turn, allows us to focus our efforts on the areas of audit and organizational risk. We would begin to understand your internal risk management process during this phase and would consider key risks identified by management in tailoring our audit approach to adequately respond to key risks. Our audit plan is developed using the information gained during our co-development session with the Town, and is responsive to our audit risk assessments. We emphasize efficient execution of our audit plan to limit disruption to the Town.

We will continually solicit feedback to assess whether we are meeting the Town's needs — through your eyes, not ours. This process gives us a richer, more balanced context for building a team and approach that addresses the Town's needs effectively.

## **Phase II: Understanding and evaluating internal controls**

During the second phase of our audits, we will analyze the Town's business and financial issues within the context of your operating environment in order to gather audit evidence and understand how the Town's results are ultimately reflected in the financial statements.

We begin by considering the Town's internal controls by reviewing your entity-level control environment.

Entity-level controls consist of various components including the integrity, ethical values, and competence of personnel; the ways that authority and responsibility are assigned among personnel; oversight by governing bodies; the risk assessment process; and management's monitoring of internal controls. During this phase, we understand corporate governance arrangements, such as Board and committee structures, how the Board monitors financial reporting, and other key governance areas. We would communicate any leading practices related to governance and entity-level controls that we believe may be beneficial to the Town.



We will review significant accounting and transaction processing systems, including the Town's financial system and selected business processes, and document our understanding of the internal controls within each of these systems and processes. We gain a thorough understanding of the various processes by conducting interviews with personnel in both the finance and operational departments as well as performing walkthroughs of these processes. This visibility by the audit team to the organization's management team in the various departments allows us to elevate the audit process and highlight the significant financial and operational controls. We will document the controls in place designed to ensure that account balances are properly summarized, classified, and reflected on the financial statements. We also identify internal controls that serve to mitigate fraud risk factors and other significant financial reporting risks. Once we have assessed whether the system narratives accurately depict how systems are actually working, we will identify the key internal control elements in the systems and evaluate the control environment. Our management letter will communicate any observations related to opportunities for the Town to improve controls or processes.

## **Phase III: Developing and executing the audit approach**

In the third phase, we will develop an audit plan for all significant accounts of the Town's financial statements based on the knowledge and information obtained during the first two phases of the audit process. We will prepare audit programs for tests of controls and for substantive tests. We will make a final evaluation of the effectiveness of the controls based on our tests and using the level of effectiveness of controls as a guidepost, we will design and perform substantive tests of account balances.

Throughout this process, we will continue to update our initial risk assessments based on information gained through audit procedures performed to date and adjust our audit approach for changes in circumstances.

### **Performing tests of controls**

The purpose of performing tests of controls is to confirm our initial assessment of the effectiveness of controls and the likelihood or actual presence of errors in the accounting data and to provide a basis for us to rely on the controls. The nature and extent of the testing of controls will be influenced by our initial assessment of the control procedures being used.

Our tests of controls will include procedures, such as inquiry and observation, corroborated by inspection of physical evidence resulting from the performance of controls and, in some cases, re-performance of the controls. After executing our planned tests of controls, we will evaluate the results of those tests and decide whether the initial assessment of the effectiveness of the controls was appropriate. Upon completion of the risk assessment and evaluation of the results of the tests of controls, we will develop a detailed audit program. The audit program is specifically designed to take into consideration the unique operation and control environment of the Town.

### **Substantive testing**

We will design substantive procedures so that the combination of our procedures (including tests of controls) provides sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and enables us to draw reasonable conclusions on which to base our opinion.

We will design substantive procedures at the assertion level to identify material misstatements and quantify the effect of any identified misstatements in the financial statements.

Our substantive procedures consist of:

- **Substantive analytical procedures** — Provide evidence when applied to large volumes of transactions that tend to be predictable over time. We design substantive analytical procedures based on the expectation that relationships among data exist and continue in the absence of known conditions to the contrary.
- **Tests of details** — Provide direct audit evidence of transactions or balances. Tests of details are used to verify that transactions or balances have been accounted for properly. We design tests of details that respond to the identified risks of material misstatement, assertions, and characteristics of the account.

The principal procedures that we will perform based on our preliminary assessment of significant accounts and our anticipated risk assessment include:

- Obtaining a detailed understanding of significant business processes, important business strengths and risks, the financial statement close process, and management's controls to monitor operations.
- Testing of significant accounts and related transactions.
- Testing of revenue and expense items, the extent of which will be based on our evaluation and tests of related internal controls.
- Performing analytical review procedures that will help us identify expected and unexpected trends in revenue, expense, and other account balances.

In connection with our substantive procedures, we will also focus our audit procedures on the following areas:

- Internal controls over operating revenues and other revenues/receivables/cash receipts, and operating expenses/payables/cash disbursements, payroll processes, and IT and systems management
- Review and analysis of segregation of duties within key financial and nonfinancial processes
- Valuation and testing of cash at year end
- Valuation and testing of investments at year end, as well as investment income sources and disclosures of fair value
- Collectability of receivables
- Valuation and testing of capital assets
- Valuation of payables and accruals
- Net position classifications
- Evaluating revenue sources and trends
- Review classification of revenues and documentation evidencing restrictions or the lack thereof
- Classification and recognition of expenses
- Related-party transactions
- Compliance with applicable laws and regulation

## **Phase IV: Audit results, communication, and feedback**

In our final phase, we develop a summary of key audit findings designed for presentation to the Town's management. This information also serves as the basis for future audit planning activities.

This phase includes our review of the financial statements for compliance with generally accepted accounting principles, adequate disclosures and proper display and presentation. Our key team members will perform this review. An additional engagement quality review will be performed by an independent concurring partner in addition to the engagement partner's review.

### **Internal control communications**

Should we identify conditions and matters that we believe will be of interest and value to the Town, both from an internal control and an operational perspective, we will provide a management letter. Our professional standards require that certain matters be reported to the Town's management, while other routine matters will be communicated to management on a less formal but timely basis. Should we identify any material weaknesses and/or significant deficiencies in connection with our audits, additional formal communications will be made.

### **Consideration of IT during the audits**

General controls reviews are conducted to assess the overall effectiveness of the IT controls. This review includes an evaluation of policies and control procedures that would affect various platforms sharing a common processing control environment. We will interview key personnel to gain a further understanding of your IT environment, and review IT-related policies and procedures, and evaluate the adequacy of the controls in place, focusing on logical access and program change controls.

IT audit professionals may assist in the performance of the general controls reviews, if deemed necessary, and will bring much insight to our team and yours with their broad experience. These professionals understand the IT challenges facing governmental organizations. Based on the team's conclusion of the effectiveness of the IT processing environment, we will adapt our audit approach and level of reliance on computer controls.

# Single Audit approach

## OMB Uniform Guidance

### Overview of Single Audit process

Our Single Audit approach is based on a risk-based audit approach that incorporates all required rules and regulations of the 2 C.F.R. Part 200, while following a top-down audit risk approach for the Town's major program being tested. This risk-based audit approach will allow Mitchell Titus to gain a thorough understanding of the Town's internal controls in place over its federal program and the specific controls over the program being tested. Based on the operating effectiveness of the controls in place and risks related to the program, we will tailor our audit program to address the specific requirements per the 2 C.F.R. Part 200 and the risks identified. Mitchell Titus incorporates our Single Audit testing with our financial statement audit testing, when possible, as we find this process more efficient and less disruptive to the client. An overview of our Single Audit process is presented below.

Audit objectives	Audit considerations	Potential audit procedures
<p><b>Evaluate and test internal controls over major programs</b></p>	<ul style="list-style-type: none"> <li>▪ Allowability of expenditures</li> <li>▪ Proper authorization and review of expenditures</li> <li>▪ Controls over grant reporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and documentation of the grant application and monitoring process and controls</li> <li>▪ Test expenditures and payroll for allowability, classification and authorization</li> </ul>
<p><b>Verify compliance with laws, regulations and provisions of federal contracts and grants</b></p>	<ul style="list-style-type: none"> <li>▪ Compliance with general requirements</li> <li>▪ Specific grant and contract requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review applicable policies for compliance areas</li> <li>▪ Test major program for compliance with specific requirements</li> <li>▪ Review subrecipient monitoring processes</li> </ul>
<p><b>Determine whether schedule of expenditures of federal awards is presented fairly</b></p>	<ul style="list-style-type: none"> <li>▪ Proper reporting of federal awards and funding</li> <li>▪ Recognition of grant revenue and expenditures</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agree grant reporting of expenditures and reimbursement to schedule of federal expenditures</li> <li>▪ Agree schedule of federal expenditures to audited financial statements</li> </ul>

Planning is an integral part of our Single Audit approach. During this phase, we will meet with management to discuss the current year federal grants, significant changes, other regulatory audits/reviews and plan the Single Audit work to be completed.

# Measuring success

We will seek feedback from you to confirm we are performing the audit efficiently and meeting your needs and expectations. The results of these assessments will be used to identify areas where service improvement is needed.

## Timeline

Once appointed as your auditors, we will have a planning meeting with management to discuss the upcoming FY 2022 audit, efficiency strategies and co-develop expectations. The following is our proposed timetable and work plan of providing audit services to the Town for the year ending June 30, 2023. We will confirm and co-develop this timetable with the Town.

Audit contract will be fully executed and we will be able to begin preliminary fieldwork	<b>April 15, 2023</b>
Initial planning meeting with the Town's management to discuss the FY2023 audit	<b>April 30, 2023</b>
Perform general planning procedures	<b>May 1-5, 2023</b>
Entrance conference with all key Finance department personnel	<b>May 5, 2023</b>
Understand entity-level controls and perform account risk assessments	<b>May 8-12, 2023</b>
Initial progress conference will be held with the Town Manager and Director of Finance one week in advance of field work commencing	<b>May 12, 2023</b>
Initial week of audit fieldwork will be conducted during which we will document processes and perform walk-throughs and complete the account risk assessments, and complete tests of controls and reconsider account risk assessments	<b>May 15-19, 2023</b>
Finalize our detailed audit plan and list of all schedules to be prepared by the Town	<b>May 19-23, 2023</b>
Provide the Town our detailed audit plan and a list of all schedules to be prepared by the Town	<b>May 23, 2023</b>
Perform audit fieldwork/substantive tests of account balances	<b>June 5-July 14, 2023</b>
Review draft financial statements and provide comments, if any, to the Town	<b>July 17- 21, 2023</b>
Drafts of the audit reports and recommendations to management will be available for review	<b>August 1, 2023</b>
Final audit reports on the financial statements and single audit, if required, as well as any other required reports on internal control and/or compliance, as well as the management letter recommendations, if any	<b>August 15, 2023</b>
Presentation of audit results to the Town Council, at which time we will present our required communications to those charged with governance in accordance with AU-C Section 260	<b>Will be scheduled upon completion of audit at a mutually convenient date and time to be determined</b>

We believe that the project plan above will enable us to successfully meet all of the Town's objectives and due dates.

## Responsive and timely communications

We will work diligently to provide frequent, transparent communication regarding the planned effort and scope, as well as any audit findings, making every possible effort to avoid surprises. Our reporting to management will be based on the requirements of your financial calendar and the financial statement close process. We are committed to meeting your required timeline. We will align the contents and schedule of our team communications with these requirements. We are committed to discussing any audit findings with you in a timely manner, as well as defining a set date by which all significant audit issues will be communicated to management to allow for proper remediation time, as applicable. Throughout the audit, based on our testing observations and our industry experience, we will provide management with value-added suggestions for enhancement to assist in identifying potential areas for improvement and efficiencies. Our proactive approach will provide early alerts regarding emerging issues and potential changes in accounting principles and standards.

Our communication protocols, which will be further co-developed with management, emphasize the following:

- **Knowledge sharing.** We will provide updates regarding changes in accounting standards and technical issues and let you know how these changes will impact the Town.
- **Regularity.** We will schedule regular communications and meetings with key staff from the Office of Finance and the Office Audits and Investigations (at least bi-weekly during the engagement). In addition, on an ongoing basis, we will share any insights that we have regarding issues that could impact your operations or financial reporting deadlines.
- **Early warning.** Our audit procedures are designed to provide you with early warnings of significant accounting and auditing issues to allow sufficient time for resolution.
- **Accessibility and responsiveness.** Our team will be readily accessible for in-person meetings, discussions and working sessions.
- **Feedback.** We will solicit and welcome constant feedback from you on our performance.
- **Accountability.** Periodically, we will initiate a formalized, objective, and independent review of our services to the Town and develop a follow-up action plan, if needed, to improve our level of service. In addition, we will continue to meet with your executive team informally on a regular basis to stay abreast of developments in your business and provide relevant insights to management.



## Deliverables, process, and metrics

Below, we provide some examples of metrics and related activities in place to ensure deliverables are provided to our clients in accordance with standards and in a timely manner without incurring cost overruns.

QC category	QC subcategory	QC measure	Project phase
<b>Deliverables</b>	Deliverable timeline	Timeliness of deliverables: Compares planned versus actual deliverable date	All phases of the project
	Standards	Standard Adherence Measure: Verifies adherence to the Town and professional standards	All phases before submission of the deliverable
	Deliverable content	Deliverable quality: Verify all comments from the reviews are addressed	All phases of the project when comments are received

## Measures and metrics for project management

QC category	QC subcategory	QC measure	Project phase
<b>Management process</b>	Milestone performance	Milestone dates: Conformance to defined start and end dates of planned activities or events	All phases of the project measured weekly
	Issue management	Issue report status: Measures number of issues compared to the number of issues resolved	Weekly

Our extensive audit experience will allow us to conduct the audits in an efficient manner, which will allow us to work within the budgeted hours.

# The Mitchell Titus difference

Our experience, team, and knowledge, and the value we will offer, are just a few reasons why Mitchell Titus is the best choice to serve as your new professional audit services provider.

## The value and experience of Mitchell Titus

**Focused government and public sector experience** — Organizations select Mitchell Titus because of our significant government and public sector audit experience and focus on providing exceptional client service. This market leadership, combined with Dan's understanding of the intricacies of the Town's operations, means that we can address the Town's present needs and anticipate changes that may impact you in the future.

**Specialized and relevant knowledge** — The team of established staff and professionals whom we bring to the Town has deep experience working with public sector organizations. Additionally, Dan has served the Town for a number of years in the capacity as partner. Our professionals are proficient at assessing internal controls, managing risks and increasing efficiencies for business improvement and ensuring compliance.

**Responsive team, ready to "hit the ground running"** — We know that a responsive team is important to the Town. The Mitchell Titus talented professionals selected to serve you consist of top performers who have a solid track record of serving their clients with passion and excellence. We offer a customized service delivery approach, and our team is committed to providing high-quality service.

**Industry thought leadership** — Our insights and perspectives, together with the thought leadership we offer our clients, differentiate Mitchell Titus from other professional service firms in the marketplace. We bring timely and consistent thought leadership for organizations and will be committed to delivering relevant ideas, leading practices, and industry knowledge to the Town. We have the capability and resources to serve you today and, in the future, as you work strategically to enhance your operations.

**Value for fees** — While quality, service, and industry experience are key considerations in your selection of a professional services firm, we recognize that fees are an extremely important factor in determining the overall value of your service provider relationship. Unlike other firms, Mitchell Titus does not charge for routine consultations throughout the year. We also believe that the fees are fair and based on the scope of your requested services.

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# Independence

Independence and objectivity are the foundation of our client relationships and will be evident to the Town as we build a relationship with you.

**Audit quality and independence conflict prevention** — Like any other system of internal controls, no single safeguard provides us with the desired assurance that our people comply with applicable professional standards and our firm's standards of quality. Working in tandem, however, these safeguards provide a system that serves to prevent or detect matters that, without corrective action, could result in substandard performance.

**A higher bar for independence** — We have policies extending beyond those required by the SEC and professional standards. Our policies include a requirement for managers through partners to report changes in their stock portfolios and confirm all holdings. We also have special policies and procedures to address situations when a professional accepts a position with an audit client for which he or she had engagement responsibilities during the 12 months prior to leaving the firm. These safeguards start when a person is first offered employment and are in place to ensure the person's objectivity and impartiality on the most recent audit engagement.

**Policies and procedures** — Our independence policies extend to all client service personnel (even non-CPAs), including paraprofessionals involved in serving clients, part-time professionals and non-employee contractors representing the firm in serving clients. The independence rules also apply to a professional's spouse and dependents. These policies not only comply with the independence requirements of the SEC, AICPA and state regulatory boards, as applicable, but also in some instances represent higher standards.

Mitchell Titus affirms that our firm is independent of the Town as defined by generally accepted standards/the U.S. General Accounting Office's *Government Auditing Standards*.



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## Conflict of **interest**

**W**e are unaware of any Town officer, Mayor, Commissioner, Committee member or Town employee in the past five years who owns, directly or indirectly, an interest in Mitchell Titus.

# Fees

The following proposed fees for the three-year audit plus an option to extend for two more years reflect the high regard we have for the Town to become our client. Our fees contemplate that the Town's staff will provide the information that will be requested in connection with our services. These overall fees represent a significant discount from our standard rates. Please note we have increased our fees in each of the subsequent years to partially cover cost-of-living increases.

Scope of services*	Fees				
	Year 1	Year 2	Year 3	Year 4	Year 5
Audit of the Town's financial statements as of and for the years ending March 31	\$52,640	\$53,693	\$54,767	\$55,862	\$56,979
Single Audit, assuming only 1 major program each year	\$10,000	\$10,200	\$10,400	\$10,600	\$10,800
<b>Total fees**</b>	<b>\$62,640</b>	<b>\$63,893</b>	<b>\$65,167</b>	<b>\$66,462</b>	<b>\$67,779</b>

\*The Single Audit fee will be based upon the number of major programs selected in accordance with the Uniform Guidance requirements. The Single Audit fees reflected above assume that the Town will only have one major program that is required to be audited in accordance with the Uniform Guidance each fiscal year. In the event that the Town has more than one program that is required to be audited in each of the fiscal years, the additional fees will only be \$8,000 for each additional program.

The basic financial statement audit fees above are based on the engagement not exceeding 398 hours for the audits of the basic financial statements.

\*\*These fees include the preparation of a management letter regarding internal control observations, if necessary, as well as reporting to the Town Council (or equivalent), and routine questions on technical matters throughout the year.

At Mitchell Titus, we are committed to providing quality services to all of our clients. We will make a commitment to establish a firm basis for a continually growing professional relationship. This commitment includes providing services at reduced rates. Our policy is to charge for services on the basis of hours worked by the various levels of personnel at rates applicable to each, which are as follows for the audit of the Town's basic financial statements:

Labor category	Number of hours for audit of basic financial statements	Hourly rate
Partners	30	\$250
Senior Manager	38	\$160
IT Audit Specialist	4	\$170
Actuarial Specialist	2	\$155
Audit Seniors	162	\$135
Audit Staff	162	\$100
<b>Total</b>	<b>398</b>	

The estimated hours to conduct the Town's Single Audit in accordance with the Uniform Guidance assuming, as noted previously, that there is only one major program in each of the fiscal years, is the following:

Labor category	Number of hours	Hourly rates
Partners	5	\$250
Senior Manager	8	\$160
Senior	32	\$135
Staff	31.5	\$100
<b>Total</b>	<b>76.5</b>	

Assuming there are no significant changes in the Town's operations or our scope of services, and other significant unforeseen circumstances do not arise, our fees would increase only as indicated above.

Our quoted fees are realistic given the anticipated scope of work, as opposed to lower fees with significant out-of-scope future billings. Generally, we do not charge our clients for routine questions, including questions on technical matters that may occur throughout the year. However, because it is impossible to predict the unusual, nonrecurring circumstances that might require additional time, we will bill separately for special projects or significant increases in the scope of our services (e.g., significant and complex transactions, needs for specific program audits, unusual operational or internal control problems, etc.) should any arise. Also, before any additional hours are incurred for out-of-scope services, we would discuss the services with you and make certain they are agreed upon in advance of billing for the hours spent performing the work.

## Our commitment to the Town

At Mitchell Titus, we are committed to providing quality services to all of our clients. Our team will work diligently to demonstrate initiative, anticipate problems and communicate with the Town throughout the year as their business advisors and independent auditors. We will provide the Town with effective service that will be enhanced by our expertise and leadership in the government and public sector industries.