

Lenora Reid

KPMG - Presentation

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

Risk based approach

Strong industry presence

Audit team - Wealth of Experience

WEAKNESSES:

Weak presentation

IT staffing not defined as to who would be available

enora Reid

CliftonLarsonAllen LLP
PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

Audit Partner has a wealth of information

WEAKNESSES:

- Not clear as to how the audit team members would be available when needed.
- IT [in California]
- Presentation was not very strong

Lenora Reid

Cherry Bekaert
PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

Very strong Presentation

IT Support - Partner - tele-conference

Penciled in Scheduled time for the audit

Audit team present at the presentation

Only team that was familiar with New World

Strong leaders in the industry

Risk based approach

WEAKNESSES:

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

IT-testing controls - Local IT staff

CPE to clients

Strong local government and schools clientele

Ready to work for us

Worked at new world

WEAKNESSES:

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

Industry training of their staff and clients

GASB technical expertise

Transitional - more experienced people brought in

Travis - CPE certificate

WEAKNESSES:

IT - National - did not seem as if local IT was available

Not clear on staff who would be available for audit

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

- KPMG

Communication

List based audit approach

Dual purpose testing

WEAKNESSES:

Specific firm templates may not be conducive to transitional phase that we are all experiencing

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

- Full Time IT Auditors - Not Accountants doing IT work.
- Depth of knowledge, level of experience quite high.
- Has Client experience with NWS (Hampton)
- Have looked at scheduling / site visits / to put people in place already
- Very well done Proposal / Presentation
- Has experience working with NWS.

WEAKNESSES:

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

Dual-Purpose Testing

Will use APA procedures to support the Financial Statement Audit.

Proven Experience

- Separate Team for LOTWA & EDA

WEAKNESSES:

- IT proposal / staff

- Weaker Presentation

-

CD = H
(3/26/13)

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

local offices

state plan. planning

govt. specialization

local seminars will be offered

"Rob Churchman" experience

familiar w/ state Portsmouth (some audit team)

nice presentation overall

good IT plan

has New World experience (Hampton)

WEAKNESSES:

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

- KPMG process
- largest audit firm in VA
- audited Suffolk before
- good governmental experience
- many employees in Norfolk office
- IT staff strong experience w/ local govt

WEAKNESSES:

- KPMG process

PROPOSAL STRENGTHS AND WEAKNESSES

STRENGTHS:

hire for specific industry

single audit leader (nationally)

good at avoiding findings in advance

will offer training locally

'Rock Region' experience

WEAKNESSES:

have national experts - not local experts

March 26, 2013

Non-binding Cost Estimate

Dear Ms. Crawford and the Auditor Selection Committee:

We are pleased to submit our nonbinding cost estimate to the City of Suffolk, Virginia (City) related to services requested for the fiscal years ending June 30, 2013 through June, 30, 2015 with two options years thereafter, as detailed in Request for Proposal #2013-00077-IC. We are excited about this opportunity to form a valued relationship with the City and confirm that Cherry Bekaert possesses the resources, personnel, and commitment to the Virginia public sector to provide the high quality audit services you deserve, both today and in the future.

We understand and appreciate the City's desire for professional service providers who are not only highly qualified, but who are also cost-conscious and cost-effective about the work they perform. We are mindful that cost is always a consideration in selecting a professional services firm and have structured our fee based on our strong desire to develop a mutually rewarding, long-term relationship with the City. In developing our non-binding cost estimate, we made the following presumptions:

- ▶ In working with the City to prepare the related financial statements, the City has electronic templates of the 2012 financial statements such that they can be rolled forward to create a shell for the 2013 statements.
- ▶ Our estimate is based on no material changes in the City's operational, regulatory or reporting environments. If at any time such material changes do occur, we would like the opportunity to discuss the impact, if any, on the scope of our audit and any corresponding cost considerations.
- ▶ Our estimate is based on the City's Single Audit requiring five (5) major programs to be compliant with OMB Circular A-133 reporting requirements. If the City's major program coverage is insufficient in any year, we would like the opportunity to discuss this with the City prior to performing the required work.

Basic Audit and Single Audit Services

Level	City	Schools	A-133	EDA	Total
Partners	87	18	20	6	131
Managers	220	34	26	12	292
Seniors	270	80	110	40	500
Staff	164	70	110	40	384
TOTAL HOURS	741	202	266	98	1,307
Fees at blended rate of \$100 per hour	\$74,100	\$20,200	\$26,600	\$9,800	\$130,700

Audit	Hours	Fee
School Activity Funds	210	\$21,000
Pruden Center	98	\$9,800
Western Tidewater Water Authority	98	\$9,800



We understand the budget constraints that the City faces as they are the same stresses faced by all of our Virginia clients. Mindful of those cost concerns, we would like to negotiate keeping our audit fee the same for both fiscal years 2013 and 2014. For 2015 and beyond, as future costs will undoubtedly rise due to various factors (e.g., new required audit procedures, new accounting principles), we would like to negotiate a fee increase limit not to exceed 3% or the Consumer Price Index for all Urban Consumers average, whichever is lesser. Also as noted in our proposal, we are committed to providing eight (8) hours of CPE annually, designed specifically to meet the needs of the City and its employees, at no cost to the City.

This cost estimate is being submitted in accordance with the Virginia Procurement Act. We understand that, if we are ranked first among proposers, we will then enter into final negotiations with the City and we are confident we will arrive at a fee that is mutually acceptable.

Thank you for the opportunity to present our qualifications to the City of Suffolk, Virginia. Please contact me directly, as an authorized representative of the Firm, at my office (804.673.5733), my cell (804.647.8836) or electronically at rchurchman@cbh.com.

Sincerely,

A handwritten signature in black ink, appearing to be 'R. Churchman'.

Robert H. Churchman, CPA, CGFM
Partner

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Engagement Administration, Fees, and Other (Continued)

It is our understanding that (1) the overall condition of the financial and accounting records is excellent (requires few or no adjusting journal entries); (2) we will receive full support from your personnel necessary for the preparation of all items discussed or as outlined in our client assistance list, to be provided; and (3) the preparation of items in our client assistance list will be completed prior to our arrival to begin fieldwork, if applicable. If for some reason your personnel are unable to provide the contemplated assistance, or should we encounter unexpected circumstances that will require spending more time than presently anticipated, we will bring this to your attention and discuss the additional cost during the normal billing process. A change in the scope of our services (e.g., due to changes to regulations or professional standards, and as applicable to you, loss of key personnel, financial and/or accounting irregularities, unexpected and material litigation, acquisitions, etc.) may also require additional time and, therefore, add to the cost of the engagement. We assure you that we will make every attempt to hold our time to a minimum, commensurate with the work involved. Other services, such as research or consultation, would be an additional cost.

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

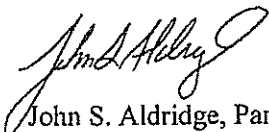
In accordance with firm policy, work may be suspended if your account becomes significantly overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all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

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2009 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City of Suffolk, Virginia; the Suffolk City School Board, and the Suffolk Economic Development Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

BROWN, EDWARDS & COMPANY, L.L.P.



John S. Aldridge, Partner

JSA:gmf

Attachment

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RESPONSE:

This letter correctly sets forth the understanding of the City of Suffolk, Virginia; the Suffolk City School Board, and the Suffolk Economic Development Authority.

By: Linda I. Johnson
Title: Mayor
Date: 5/16/11