



Hacker Nelson
& Co., CPAs
www.hackernelson.cpa

March 8, 2023

Christy Roethler
Board Secretary
New Hampton Community School District
710 West Main Street
New Hampton, IA 50659

Attention: Board of Education

This letter is in response to your request for proposals for audit services for the years ending June 30, 2023 through June 30, 2025.

As with any professional service, the value of the annual audit is determined by many factors. We have served as independent auditors for school districts for a number of years, and believe our experience and background is an asset to the District and reduces the disruption of the District's office during the audit. We are readily available to District officials for questions and consultation throughout the year. The audit report will be reviewed with the Board of Education and School officials each year and we have developed graphs to make the financial statements more meaningful. We utilize experienced people on the audit, and senior personnel are on site performing and supervising the engagement. All of our staff performing the audit is independent in regards to New Hampton Community School District under GAO requirements.

Our commitment to quality is based upon a philosophy of maintaining a strong quality review system. This includes external reviews by our peers and strong internal review of both workpapers and financial reports. We have completed our third party peer review and have received an unqualified report. A copy of that report is attached as part of this proposal as required by *Government Auditing Standards*. Peer review is a rigorous evaluation of a firm's accounting and auditing practice, providing assurance to the public that each member firm maintains an appropriate quality control system, and that it complies with that system. We believe that without a strong commitment to quality, federal and state audit requirements certainly cannot be met.

Recruiting and retaining a qualified staff is necessary. All our professional staff receive at a minimum 40 hours of continuing professional education (CPE) annually; however, our average is between 60 to 70 CPE hours annually. All staff assigned to your audit will meet the Yellow Book requirements of 24 hours of governmental CPE in a two-year period and 40 hours of accounting and auditing CPE annually. This education specifically includes the study of federal requirements contained in the AICPA Standards and Audit Guidelines, the Single Audit Act, and the Uniform Guidance. Coupled with our education program is our requirement to maintain a complete up-to-date library, as well as computer resources for staff/client use. We encourage our staff to become involved with CPA Society committees to broaden their scope of knowledge.

123 West Water Street • PO Box 507 • Decorah, IA 52101 • 563-382-3637 • Fax 563-382-5797

15 East Main Street • PO Box 529 • New Hampton, IA 50659 • 641-394-2245 • Fax 641-394-3138

210 7th Avenue SE • PO Box 139 • Waukon, IA 52172 • 563-568-4567 • Fax 563-568-4569

Our firm is a local firm with offices in Decorah, New Hampton, and Waukon, Iowa. We are members of both the American Institute of Certified Public Accountants and the Iowa Society of Certified Public Accountants. Our firm qualifies as a Small Business Firm as defined by the Small Business Administration.

We are properly licensed as CPAs for public practice in the State of Iowa. We affirm to you that we meet the independence requirement contained in the current revision of GAO's *Government Auditing Standards*. In addition, we affirm to you that we do not have a record of substandard work. We have not been disciplined by the Iowa State Board of Accountancy for substandard work or any other matters. We are also affirming to you that our fee structure is in accordance with the Iowa Accountancy Examining Board's Administrative Rule regarding predatory pricing (this rule was put into effect to ensure that independence is maintained on audit engagements).

We believe our fee structure is fair and that the quality of service we offer is directly related to our fee structure. A prudent purchase of audit and accounting services only comes after determining a firm's commitment to quality and its stability and continuity in the government/nonprofit field. We feel our firm offers these characteristics and accordingly is reflected in our work quality. Our government and nonprofit clients are held on the same level as our commercial clients.

Our examination for FY2023 will be made in accordance with U.S. generally accepted auditing standards, the standards for financial audits contained in *Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, issued by the U.S. General Accounting Office, the AICPA Audit Guide "Audits of State and Local Governmental Units," and the provisions of Chapter 11 of the Code of Iowa. Our examination will also be performed in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) if a single audit is required. We understand the financial statements will be prepared in accordance with generally accepted accounting principles, and, accordingly, will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

We will assess your accounting system and internal controls to plan the audit. We will determine the significant internal control policies and procedures, including controls over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. We will obtain an understanding of these policies and procedures, determine if they have been placed in operation and assess control risk. We also will calculate materiality levels both on the major funds and the fund types.

After completing the planning stage of the audit, we will design tests of compliance and controls. We will confirm bank balances and selected program revenues, test payroll and other disbursements, review cash handling procedures, travel expenditures of administration, and perform other procedures that we deem necessary. We are required to and will design procedures to search for illegal acts and related party transactions. We will follow U.S. generally accepted auditing standards on Auditor's Consideration of Fraud, which requires a risk-based audit approach. We must assess the risk of material misstatement due to fraud and design audit procedures accordingly. We will furnish the Board Secretary copies of our proposed adjustments and potential audit findings, questioned costs, and comments. We will furnish copies of any workpapers pertaining to questioned costs determined in the audit upon request.

We will furnish the Board Secretary a summary of information required. We will prepare listings of items and reports needed for the audit and furnish them to the District's staff prior to beginning the audit fieldwork. We plan the audit to minimize the interruptions of your staff during our work. If the financial data is ready for audit and items selected for testing are available for review, the audit process is more effective.

The District audit for fiscal year is expected to be performed by three to four auditors. Naturally, the actual time spent is dependent on the accuracy of the financial data, the availability of records and any findings resulting from testing. The audit fieldwork for FY2023-FY2025 would be performed upon a mutually agreed upon schedule with the report released no later than March 31 of each year. We will present the audited financial report to the Board of Education at one of their meetings upon their request. This time frame is contingent on the timely completion of financial information and documents for the audit by District personnel.

We will hold an exit conference with the Board President, Superintendent and Board Secretary at a mutually convenient time. Observations and recommendations will be in written summary and discussed with District staff. The number of copies will be sufficient to meet the District's needs as determined by you. Our report will include all applicable reports and a management letter covering recommendations, comments, and other matters.

We anticipate that District personnel will provide assistance in the preparation of schedules, posting of adjustments and analysis of accounts. The timely completion of this work will assist us in achieving an efficient performance of our work. This consideration has been taken into account in computing our proposed fee.

Since we wish to begin our working relationship with you, we would propose the following:

FYE June 30, 2023: \$27,315
Hours: 300

FYE June 30, 2024: \$28,135
Hours: 300

FYE June 30, 2025: \$28,990
Hours: 300

These fees will not be exceeded unless there are changes in the audit scope (see attached) or other consulting services are rendered at the request of the Board of Education and School officials. The fee does exclude the state auditor's filing fee, which the District is required to pay.

These fees are subject to the attached list of possible additional costs. Specifically, if the District is subject to the Single Audit requirements due to spending over \$750,000 in federal funds, an additional \$3,500 will be charged. Thus, if a Single Audit is required, as expected, our fee for the 2023 audit will be \$30,815.

The proposed audit fee includes 12 hours of assistance and consultation to management, accounting, and nonaudit reporting services. Assistance to the School's personnel in preparing financial statements, state reports, questions, and other nonaudit matters exceeding the 12 hours would be billed under a separate agreement on an hourly basis.

The proposed audit fee assumes the reporting requirements under all GASB standards will have been met. These services will proceed upon verbal authorization by the Board Secretary.

If unusual and unexpected developments make it necessary to extend the scope of our audit beyond normal requirements, we shall not commit you to an additional expenditure of funds without first obtaining your approval to carry out the additional work. In such a situation, we retain the unilateral right to take any course of action permitted by professional standards, including withdrawal from the engagement. If extenuating circumstances prevent us from meeting the delivery schedule established, we will contact you immediately.

Board of Education
New Hampton Community School District
Page 4
March 8, 2023

Representatives of the cognizant agency or its designee, other government audit staffs and the U.S. General Accounting Office shall have access to the audit working papers upon their request; we will maintain the working papers for a period of at least five years after the date of the report.

We thank you for considering us and will be pleased to furnish you with any additional information you may need. The return of this letter signed by you will indicate your acceptance of this proposal. A standard arrangement letter will follow which will also require your signature. Please contact me should you have any questions or require any additional details regarding this proposal. Thank you.

Sincerely yours,

HACKER, NELSON & CO., CPAs



Steve Samec, CPA
Principal

SS:js
Enclosures

ACCEPTED: New Hampton Community School District

By

Date

New Hampton Community School District
Attachment to Proposal Letter Dated March 8, 2023
Possible Additional Fees – Scope Changes
June 30, 2023

Examples of scope changes include:

1. Addition of new grants, bonds, or funds to audit.
2. Changes to audit report supplementary information for CAR or as required by the District.
3. State Auditor fees, increased fee due to above activity.

Examples of nonaudit services include:

1. Other accounting or balancing assistance and special projects beyond assistance in normal accrual adjustments and attending Board audit meeting and one exit conference.
2. Significant difficulties encountered due to lack of adequate accounting records, incomplete records, or turnover in staff.
3. Assistance required by financial advisors.
4. State Auditor financial statement review.
5. Miscellaneous conferences and required research.

Any additional scope changes will be discussed with management before work is performed. Fees will be billed at applicable hourly rates for individuals involved for hours required.

Current hourly rates by classification:	Principal	\$250
	Manager	\$175
	In-charge	\$145
	Staff	\$135



CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

Report on the Firm's System of Quality Control

June 16, 2021

To the Shareholders of
Hacker, Nelson & Co., P.C.
and the Peer Review Alliance

We have reviewed the system of quality control for the accounting and auditing practice of Hacker, Nelson & Co., P.C. (the firm) in effect for the year ended April 30, 2020. Our peer review was conducted in accordance with the *Standards for Performing and Reporting on Peer Reviews* established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

As part of our peer review, we considered reviews by regulatory agencies 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 Hacker, Nelson & Co., P.C. in effect for the year ended April 30, 2020, 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*. Hacker, Nelson & Co., P.C. has received a peer review rating of *pass*.

CPA Associates PC

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
710 West Main Street
New Hampton, Iowa 50659

AUDITING FIRM QUESTIONNAIRE

1. **Firm Name:** Hacker, Nelson & Co., CPAs
2. **Business Address:** 15 East Main Street
New Hampton, IA 50659
3. **Telephone Number:** 641-394-2245
4. **Type of Organization:** Individual Partnership Corporation
5. **List the following information concerning principals (or partners) and professional staff at the address listed above:**

	<u>Number</u>	<u>Ave. Years of Experience</u>	<u># with CPA Certification</u>
A. Principals	<u>9</u>	<u>25</u>	<u>9</u>
B. Prof. Staff	<u>21</u>	<u>9</u>	<u>13</u>

6. **List the name of Iowa school districts audited by staff from your office during the past five years. Do not list schools audited by branch offices of your firm:**

<u>School Name</u>	<u>List the Years Audited</u>
A. <u>Decorah Community School District</u>	<u>2018-2022</u>
B. <u>Howard-Winneshiek Community School District</u>	<u>2018-2022</u>
C. <u>North Fayette Valley Community School District</u>	<u>2018-2022</u>
D. <u>Postville Community School District</u>	<u>2018-2022</u>
E. <u>South Winneshiek Community School District</u>	<u>2018-2022</u>
<u>Starmont Community School District</u>	<u>2018-2022</u>

7. **List all auditing members who will be assigned to our school district. For continuing education (C.E.) list the number of hours related to school district accounting and reporting matters received during the past twelve months. Also indicate if each auditing team member has attended the state auditor's seminar for school district audits during the past twelve months. All auditors must be CPA's.**

<u>A. Name of Auditor</u>	<u>Years of Auditing Experience</u>	<u>Years of Auditing Schools</u>	<u>C.E. Hours</u>	<u>State Auditor's Seminar Yes/No</u>
<u>Steve Samec</u>	<u>10</u>	<u>3</u>	<u>12</u>	<u>Yes</u>
<u>Michelle Martinek</u>	<u>30</u>	<u>29</u>	<u>27</u>	<u>Yes</u>
<u>Dominic Samec</u>	<u>6</u>	<u>6</u>	<u>12</u>	<u>Yes</u>

- B. **Auditing team substitutes must possess training and experience equal to above listed Auditors.**

8. Indicate the principal or partner who will ultimately be responsible for our school district audit and the person's position with your firm.

Person: Steve Samec

Position: Principal

9. Quality control is an essential part of auditing services. Explain your procedures for internal review and for testing transactions to be used during your audit.

1.) Review of workpapers by in-charge, principal and a second senior staff
not involved in the audit.

2.) Transactions such as receipts and disbursements will be selected
randomly for testing and subject to analytical review.

3.) We will confirm receipts from the State of Iowa and Chickasaw County.

10. Does your firm publish a client newsletter? No

If yes, how often would the district receive the publication? _____

11. Would your examination of our records be conducted in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Single Audit Act of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations?

Yes or No Yes

Comments: If required by federal funding audit will be performed in
accordance with the Uniform Guidance.

12. As a part of the basic proposal cost, would your firm present the audit report and a verbal explanation of the report to the Board of Education?

Yes or No Yes

Comments: At a mutually agreed-upon time.

13. During the year, the school district may request your firm to make recommendations to our Board regarding appropriate action to take in the management of our school district, for example, federal and state regulations. Describe your firm's qualifications to make such recommendations.

We have a large number of CPAs with government auditing experience. We also work

with the Auditor of State's office each year.

14. Six copies of the audit report will be submitted to the school district ~~within five weeks~~ ^{after} of the completion of the fieldwork. An additional copy shall be filed with the Iowa Department of Education. ~~One copy of each Title I Schedule of Project Activity shall be filed with the Bureau of Federal School Improvement of the Iowa Department of Education.~~ Three bound copies of the report, including the management letter, a detailed per diem audit bill and a copy of the news release shall be timely provided to the Auditor of State after approval by the Board of Education. In addition, a searchable PDF file shall be sent to the district either digitally or on a disk.
15. Bound copies of the report including the management letter will be required to be typed and reproduced by the firm accepting the contract in a quantity sufficient to meet the needs of the New Hampton Community School District.
16. The auditing firm will provide additional auditing assistance and recommendation for management of the school district as requested. (This assistance will not exceed an average of one hour per month or twelve hours per year without additional charge.)
17. The school district will provide space for the auditor's use.
18. The Board of Education understands the need for a commitment from both parties to more than a single year's arrangement. It is the intention of the Board of Education to enter into an agreement which covers the next three (3) fiscal years' audits. Therefore, the Board of Education requests a proposal for three (3) years. It must be understood that this agreement can be terminated, however, after thirty (30) days written notice from either party for future years.
19. It is understood that the price quotes will be the price paid. This applies to each of the three (3) years. Payment for services, in each year, will be made after receipt of the finished report or after presentation to the Board of Education, if so requested.
20. We/I have reviewed the specifications and agree to and understand the terms outlined in this questionnaire and the attached fee schedule.

Steve Samec

Signature CPA/Partner Position/Title

3/8/23

Date

FEE PROPOSAL
FOR
NEW HAMPTON COMMUNITY SCHOOL DISTRICT

1. Base Proposal:

Maximum fee for auditing the financial records of the New Hampton Community School District for the fiscal year ending June 30, 2023.

- A. Amount: \$ 27,315 *
- B. Additional help that may be requested during the school year at \$ 175.00 per hour.
- C. Estimated starting date of field work: August 15, 2023
Estimated conclusion date: September 15, 2023
Estimated delivery date of finished report: March 31, 2024

2. Future Proposal:

The subsequent year approvals are contingent upon the auditing firm complying with specifications during the prior year.

Maximum fee for auditing the financial records of the New Hampton Community School District for the fiscal year ending June 30, 2024.

- A. Amount: \$ 28,135
- B. Additional help that may be requested during the school year at \$ 180.00 per hour.

Maximum fee for auditing the financial records of the New Hampton Community School District for the fiscal year ending June 30, 2025.

- A. Amount: \$ 28,990
- B. Additional help that may be requested during the school year at \$ 185.00 per hour.



Signature

Principal

Position

*Any year subject to Single Audit will incur an additional fee of \$3,500.

**EVALUATION CRITERIA AND TECHNIQUES
FOR RESPONSES TO REQUESTS FOR PROPOSALS**

Evaluation of responses to a request for proposal is based upon a 100-point rating system. A maximum of 25 points is assigned to the cost of the bid proposal, and a maximum of 75 points is assigned to the qualifications of the bidding firm or individual. The techniques used to evaluate these two components are described below.

Criteria: **COST**
Evaluation Value: 25 points
Evaluation Technique: For each firm evaluated

$$\text{Cost Score} = \left[\frac{\text{Lowest cost of all bids received}}{\text{Bid cost for this firm}} \right] \times 25$$

Criteria: **QUALIFICATIONS**
Evaluation Value: 75 points
Evaluation Technique: Subjective scoring for the following factors:

<u>Qualification Factor</u>	<u>Possible Points</u>
1. Organizational structure and size of entire firm (resources available – personnel and research, existence of areas of specialization, commitment to governmental auditing, etc.)	0-5
2. Organizational structure and size of office performing the audit (resources available – personnel and research, existence of area of specialization, commitment to governmental auditing, etc.)	0-5
3. Recent experience in similar audits (involvement in local governmental audits – extensiveness, variety, length of time performing audits, etc.)	0-15
4. Qualifications of the audit team (level of experience as accountants, auditors, governmental auditors, variety of experience, % of time devoted to governmental audits, number of CPA's involved, training, etc.)	0-25
5. Individuals with whom the audit team can consult (level and variety of experience, number of CPA's, training, etc.)	0-5
6. Understanding of work and timetable to complete audit (number of hours, projected timetable, commentary showing understanding of entity and general knowledge of what is required, etc.)	0-20
Total points - Qualifications	0-75

Each firm's total evaluation score is the sum of its cost score plus its qualification score. The maximum score is 100 points.