

**Finance, Expenditure & Legal  
Subcommittee Meeting  
April 11, 2006  
8:00 p.m.  
Agenda**

**Finance, Expenditure & Legal Subcommittee Members:**

Dick Connealy, Chairperson  
Tim Fowler, Vice-Chairperson  
John Conley  
Dorothy Lanphier  
Jim Thompson

Alternate Members: John Schwope  
Rich Tesar

Staff Liaison: Jim Becic  
Jerry Herbster  
Jack Lawless \*  
Trent Heiser

1. Meeting Called to Order – Chairperson Connealy
2. Quorum Call
3. Adoption of Agenda
4. Proof of Publication of Meeting Notice
5. Review and Recommendation on Appointment of an Ad Hoc Subcommittee for Auditing Services – Director Lanphier
6. Information on Purchase Agreement with Dial Realty Development Corp for Property Acquisition at Papio Dam Site 8A [*Executive Session, if needed*] - Paul Woodward
7. Adjourn

**This item was tabled at the March 7, 2006 FEL Subcommittee meeting.**

MEMORANDUM

TO: Papio Missouri River Board of Directors

FROM: Jack Lawless - Accountant

SUBJECT: Informational Memo on RFP for Professional Auditing Services

DATE: March 1, 2006

Changes to the Papio-Missouri River NRD Policy Manual concerning District audits were passed at the January 8, 2006 Board of Directors Meeting (see policies 14.3 and 15.2 attached). These changes mandated formal competitive price proposals for the District's Auditing Services be made in accordance with Policy 15.6.C (attached), and obtained at a minimum of every five years.

A Director will bring an item before the March 7, 2006 Finance, Expenditure and Legal Subcommittee Meeting recommending an Ad-Hoc Subcommittee for Accounting Services. Policy 15.6.C does not provide for an Ad-Hoc Committee so this would be a change in policy. To assist Directors in evaluating the need for an Ad-Hoc Committee for Accounting Services, please find enclosed a copy of our Request For Proposals, and a copy of the Selection Schedule, and an RFP Checklist for CPA Services (Governmental Organizations) provided by Director Lanphier.

Unless otherwise directed by the Board of Directors, management's intentions are to proceed with the RFP as written.

Invitation for Proposals  
For Auditing Services

The Papio-Missouri River Natural Resources District (P-MRNRD) is requesting proposals for auditing services. The District's fiscal year is July 1 through June 30, and services will begin July 1, 2006 for a period of five fiscal years.

Firms interested in providing such auditing services should submit a proposal expressing cost and qualifications by no later than 2:00 PM CST on April 18, 2006 to the District's office at 8901 S. 154<sup>th</sup> Street, Omaha, NE 68138.

Additional information may be obtained by contacting Jack Lawless at (402) 444-6222.

**Invitation for Proposals for Auditing Services ran in the Omaha World Herald under legal notices on the following dates:**

**Wednesday                      March, 29, 2006**

**Wednesday                      April 5, 2006**

March 1, 2006  
REQUEST FOR PROPOSALS  
AUDIT SERVICES – PAPIO-MISSOURI RIVER NRD

The Papio-Missouri River Natural Resources District is hereby soliciting proposals for auditing services. The District's fiscal year is July 1 through June 30, and services will begin on July 1, 2006 for a period of five fiscal years.

The Natural Resources District is a local unit of government operating under the Nebraska Statutes Section 2-2301 through 2-32, 101 and other statutes relating to political subdivisions. The District encompasses all or portions of Sarpy, Douglas, Dodge, Washington, Thurston, Burt, and Dakota Counties.

The District is authorized to levy a property tax of not to exceed \$0.045/\$100 actual valuation. This taxing authority provides the major funding for the District's budget. The District also receives funds from federal, state, and other local and private sectors.

The 2006 fiscal year, which ends June 30, 2006, includes total budget expenditures of \$31,128,289. The budget is prepared in accordance with Sections 13-501 through 13-51 of the Nebraska Budget Act, and in compliance with the Single Audit Act. The budget format, forms, and account numbers and descriptions are prescribed and provided by the State Auditor's Office.

Sections 2-3220 and 2-3223 of the Statutes provide the procedures and requirements for bookkeeping and auditing of District funds.

Attached is a brief description of the audit procedures and responsibilities. Also attached is a copy of the last audit. District staff will prepare all cash, accounts receivable, or other confirmations; and will locate any invoices selected for testing.

If interested in being considered, your written proposal for professional services should include, as a minimum, the following in your letter of transmittal:

1. A description of your firm's background and scope of practice.
2. A list of "comparable" government entities served by your firm, with names of contact persons in those entities.
3. A list of the individuals that would be assigned to work with the District and a description of their experience and degree of involvement.
4. An analysis of your ability to meet the District's schedule requirements for completing the audit by October 12, 2006 (October Board Meeting).

5. Your concepts, philosophies, and ideas for changes in format or content of reports or in the division of responsibilities.
6. A proposed Cost of Audit Service Fee is required. The Cost of Audit Service Fee is to be fixed, complete and all-inclusive. It is to include the costs, prices, charges, inflation, expenses, labor, fringe, taxes, margin, markup, add-ons and any other fees you incur in the completion of the audit. It shall include offers for each fiscal years 2006, 2007, 2008, 2009, and 2010.

Proposals must be submitted to the Papio-Missouri River Natural Resources District by 2 p.m., April 18, 2006. They will be reviewed and considered by the District's Finance Expenditures and Legal Committee in accordance with the enclosed Selection Schedule. Proposals will be evaluated based upon cost and qualifications. The Papio-Missouri River Natural Resources District reserves the right to reject any and all proposals received, and to request additional information.

Any questions concerning this proposal should be directed in writing to:

Jack Lawless, District Accountant  
8901 South 154<sup>th</sup> Street  
Omaha, NE 68138

Phone: (402) 444-6222  
Fax: (402) 895-6543  
Email: [jlawless@papionrd.org](mailto:jlawless@papionrd.org)

It is your responsibility to ensure your complete knowledge and understanding of our requirements.

Sincerely,

Steven G. Oltmans  
General Manager

## **Description of audit procedures and responsibilities:**

Examination of the financial statements in accordance with generally accepted auditing standards in the United States of America; the standards for financial audits contained in the *Government Accounting Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133; and issuance of the independent auditor's report.

Tests of transactions to determine a reasonable assurance the financial statements are free from material misstatements. Tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Submit a document that will include the following:

1. Schedule of Expenditures of Federal Awards
2. Statement of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget (Budgetary Basis) – General Fund
3. Statement of Revenues, Expenses, and Changes in Net Assets – Actual and Budget (Budgetary Basis) – General Fund
4. Statement of Functional Revenues, Expenditures, and Changes in Fund Balance – General Fund
5. Statement of Net Assets – Non-Major Proprietary Funds
6. Statement of Revenues, Expenses, and Changes in Net Assets – Non-Major Proprietary Funds
7. Schedule of Investments – General Funds
8. Schedule of Investments – Proprietary Funds
9. Schedule of Insurance Policies and Bonds
10. Schedule of Taxes Receivable – General Fund
11. Schedule of Cash Balances Held by County Treasurers
12. Information Required by Section 2-3223, N.R.S.-1943
13. Data Collection Form
14. Management Letter of Audit Findings and Recommendations

**PROFESSIONAL AUDITING SERVICES  
REQUEST FOR PROPOSALS  
Selection Schedule**

March 13, 2006 - FAX legal notice to the Omaha World-Herald and send out RFP information to Auditing Firms.

March 29 and April 5, 2006 - Advertise RFP in the Omaha World-Herald.

April 18, 2006 - RFP opening at 2:00 p.m. at NRC.

April 19-28, 2006 – Management review RFPs and interview selected firms, if necessary.

May 2, 2006 – Submit RFP summary plus Management recommendation memo to the Finance, Expenditures and Legal Subcommittee.

May 9, 2006 - F, E and L Subcommittee meeting at 8:00 p.m. (tentative time) to consider proposals and make recommendation to the Board.

May 11, 2006 - Board of Directors Meeting at 8:00 p.m. to consider F, E and L Subcommittee recommendation on proposals and select Auditor.

# RFP Checklist for CPA Services (Governmental Organizations)

**Purpose of This Tool.** This tool consists of a checklist to be used by the government's audit committee or its equivalent oversight body to ensure the organization's request for proposal is complete and contains the necessary elements for the successful procurement of professional auditing services.

## Background

This tool has been prepared to assist a government's audit committee or its equivalent in the preparation or review of a request for proposal (RFP) for professional auditing services. This guide describes the RFP contents and sample format for said services. As a generic model, it should be used for reference purposes only. A government organization most likely will obtain the services of a team of qualified experts including legal advisers, accountants, internal auditors, procurement officers, and other technical resources to assist in the preparation of a RFP for CPA services.

The preparation of a sound RFP is important. The RFP should outline the proposal and selection process, as well as summarize the background, objectives, expectations, and requirements of the engagement to be undertaken. Therefore, the following should be remembered when writing the RFP:

- Communicate the facts and conditions surrounding the engagement to be completed.
- State your objectives and requirements clearly and thoroughly.
- Be specific about the information needed to properly evaluate the proposal.
- Require the proposal to be presented in a common format to allow for efficient and effective evaluation.

A quality RFP will determine the quality of the respondents and will help to reduce the time and effort expended in the overall RFP and selection process. A quality RFP can be a factor in mitigating potential challenges associated with subsequent contract negotiations.

Because each government is different and unique in its own right, the following is offered as a checklist for government oversight bodies to assess the quality and comprehensiveness of the RFP document for professional auditing services.



## **Guidelines On The Introduction**

The Introduction of the RFP establishes the tone for the proposal document and provides an indication of the scope of work to be performed. The Introduction should accomplish the following:

- Describe why the RFP is being released. Discuss in general terms the objective to be achieved and the reason professional CPA services are being sought.
- Discuss the term of the engagement, such as the length of time the contemplated contract covers (for example, an annual or a multi-year engagement), along with renewal options.
- Provide an overview of how the RFP is structured and describe what information or supporting documents are contained in the appendixes, attachments, or the body of the RFP document.

## **Guidelines When Describing The Government Organization**

The objective in describing the government organization is to provide an understanding of the composition and makeup of the organizational structure and financial reporting considerations. This information should provide respondents with insight about the possible size and complexity of the work to be performed.

Depending on the information deemed relevant in describing a particular government organization, incorporate the following:

- Year of incorporation
- Charter date
- Form of government
- Term length and term limits for elected officials
- Composition of governing body
- Composition of audit committee
- Population size and other relevant demographics
- Activities and services provided by the government to its citizenry
- Accounting and reporting structure, including chart of accounts or summary description of number and types of funds and account groups
- Accounting systems/software used in accounting and financial reporting activities
- Basis of accounting used in daily operations (for example, generally accepted accounting principles, budgetary basis)
- Component units and joint ventures included in the reporting entity

- Pension plans and actuarial services information
- Additional resource information (for example, budget documents, official statements, annual financial reports, policies and procedures, prior internal or external audits, single audits), along with contact names and numbers to obtain access to this information.

## **Guidelines On The Scope Of Work**

This section of the RFP should describe the required services to be provided as a result of this engagement. It should describe the scope of work and any special considerations, such as the following:

- Provide a general description of the services being solicited, including the term of the engagement (for example, number of fiscal year(s) to be audited and related time frame).
- Indicate the exact scope of work to be performed, including the expected deliverables (that is, expressed opinion on the fair presentation of the government's basic financial statements in conformity with generally accepted accounting principles). Specific language should distinguish whether the expected deliverables are to include:
  - An expression of an audit opinion in conjunction with the full-scope audit of a comprehensive annual financial report (CAFR)
  - Audit report on basic financial statements only
  - Single audit report relative to state and/or federal financial assistance programs
  - Quality control reviews (for example, reviews related to financial assistance programs)
  - Management letter indicating deficiencies or opportunities for accounting and reporting improvements, specifically identifying any reportable condition or material weakness
  - Disclosure of irregularities and illegal acts
  - Other reports to be issued or deliverables to be completed
- Include any other special services that may be required of the auditor such as:
  - Reporting on the internal control system based on the auditor's assessment of the structure and control risk
  - Providing continuing education training for the government's staff
  - Conducting performance audits to assess operating effectiveness and efficiency
- Indicate the standards required in performing the auditing services, such as
  - Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants

- Standards for financial audits as set forth in the U.S. Government Accountability Office's *Government Auditing Standards (2003)*, known as the Yellow Book
  - Provisions of the *Single Audit Act Amendments of 1996* and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*
  - Standards as set forth by local or state charter, code, or other legal mandate
- Identify any special considerations that will allow the respondent to properly assess the size and complexity of the prospective engagement, for example:
    - Participation in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting program, which will require a certain level of knowledge and experience to assist governments in achieving this reporting milestone
    - Specific timelines that must be satisfied (for example, CAFR and single audit timeline requirements)
    - Preparation of the entire CAFR and/or certain support schedules (at minimum, any assistance from the auditors must follow the AICPA's *Code of Professional Conduct* and the independence standards as set forth in the U.S. Government Accountability Office's *Government Auditing Standards (2003)*.)
    - Assistance in preparing official statements or other documents or disclosure related to sales of debt instruments
    - Foreseeable difficulties that may be encountered as part of the audit process

## **Guidelines On Proposal Content And Other Submission Requirements**

This section should consist of a discussion of specific requirements and parameters to ensure the RFP proposal is submitted successfully. From this information, the respondent should have a clear understanding of what should be included in the proposal, and what steps and timelines must be met for proposal consideration. Ask the respondent, when considering proposal content, to:

- Disclose qualifications and experience of the firm and staff assignment
  - Respondent's experience in providing professional auditing service (for example, prior engagements)
  - Respondent's quality control review reports
  - Partner, supervisory, and staff qualifications and experience who are assigned to the specific engagement and the procedures for changing assigned staff during the audit process
  - Audit approach (for example, statistical sampling, analytical procedures, methodology for documenting, EDP use in the auditing process)

- Comply with local, state, or federal statutes and regulations
  - Maintenance of independence as required by U.S. Government Accountability Office's *Government Auditing Standards (2003)*, known as the Yellow Book
  - Adherence to the AICPA's Code of Professional Conduct
  - Conflict of interest (for example, ethics ordinance, code of ethics requirements)
  - Assignment of professional services contract to a third party
  - Minority, women, and/or small business participation goals and requirements
  - License requirements to contract and practice public accounting/auditing in a specific locality
  - Other relevant laws and statutes affecting proposal process and submission of the proposal
- Discuss whether subcontracting will be used and to what extent. If joint ventures are permissible, disclose how such business arrangements will comply with RFP requirements.

Additionally, the government should:

- Identify submission criteria for proposals
  - Government contact name(s) and telephone number(s)
  - Address where proposals will be accepted
  - Required number of original and copies of the proposal document to be submitted
  - Whether proposals are to be signed and by whom
  - Submission date and time deadline (including time zone)
  - How proposals are to be delivered (for example, in a sealed package marked plainly)
  - Response format or presentation layout for the proposal (for example, title page, table of contents, transmittal letter, detailed proposal)
- Communicate other information useful to the respondent, such as:
  - Basis on which government organization will/can reject proposals
  - Public information disclosure indicating proposals are subject to open record's laws and regulations
  - Costs that will be reimbursed by the government organization, if any
  - Basis for contract termination, including the termination notification process and related timelines
  - Insurance requirements and indemnification clause (for example, liability insurance, workers' compensation)
  - Procedures to handle inquiries from potential RFP respondents

## **Guidelines On The Schedule Of Events And Timelines**

Proposal milestones and related timelines should be specifically outlined for complete understandability. This information is often presented in a table format for easy reference. Regardless of the presentation, provide potential respondents with a calendar of proposal events and dates.

## **Guidelines On The Proposal Evaluation**

To complete the body of the RFP document, clearly outline the proposal evaluation process. A properly defined evaluation process promotes consistency and fairness in the selection process and will reduce the time spent assessing the respondents' qualifications and experience. When developing the proposal evaluation process and subsequently completing this section of the RFP document:

- Identify the composition of the selection committee (for example, audit committee)
- Disclose elements of the proposal that will be specifically evaluated (for example, technical experience and expertise)
- Indicate the methodology for scoring the proposal (for example, point system)
- Outline the steps involved in the selection process
- Incorporate a right-to-reject clause

## **Appendixes And Attachments**

Appendixes and attachments can be used to accompany the body of the RFP in an attempt to provide added relevant information to prospective respondents. Following is a list of information that is often included in the appendixes and/or attachments to RFP documents:

- Glossary
- Organization chart
- List of key personnel, office locations, and telephone numbers
- Recent external and internal audit findings
- Audited financial statements
- Summary budgetary information
- Single audit reports
- Corrective action plans
- Management letters
- Respondent guarantees and warranties

- Format for schedules of professional fees and expenses
- Offering statements
- Excerpts from state and local laws and regulations
- Standard legal language to be included in the audit contract
- Previous listing of schedules prepared by client (PBC)

## **Conclusion**

The RFP is an important step in the selection process. It establishes an opportunity for dialogue regarding a certain set of procurement needs. The previous checklist is not all-inclusive and depends upon a particular government organization and its individual requirements. Therefore, a government organization seeking professional auditing services should employ the help of a team of experts to develop the specific RFP.

For further guidance on developing or assessing a RFP of this type, refer to the following organizations:

- Government Finance Officers Association at [www.gfoa.org](http://www.gfoa.org)
- AICPA Audit Committee Toolkit — Sample Request for Proposal for a Public Company at [www.aicpa.org/audcommctr](http://www.aicpa.org/audcommctr)
- Institute of Internal Auditors at [www.theiia.org](http://www.theiia.org)

The Internet can be used as a resource to locate RFPs originated by other governments.

### **14-3 Financial - Accounting.**

A. Accounting books and records for all financial transactions will be kept in accordance with generally accepted accounting principles. An audit of the District's books shall be made at the end of each fiscal year.

B. Expenses of the District employees and Directors will be reimbursed only upon the completion of an Expense Claim, Form 14.3.B., Manual of Standard Forms (Appendix E). The expense claim shall itemize and describe the nature of the expense. Receipts for expenses shall be attached to the claim as required by the claim form. Staff expense claims will be furnished to the District Accountant by Wednesday noon, a week prior to Board meetings. The Administrative Coordinator will forward monthly expense claims to each Director for review, signature and return to the office for payment with the next payroll.

Directors and District employees are eligible for a travel advance against the otherwise reimbursable expenses of any authorized out-of-District travel. Maximum amount for a travel advance shall be \$500.00. A written request for a travel advance must be submitted to the District Accountant at least five (5) days prior to the date of travel.

While conducting District business out-of-District, Directors and District employees shall be eligible for reimbursement for mileage. It shall be the policy of the District to pay the standard mileage rate allowed by the State of Nebraska Administrative Services Department, pursuant to Section 81-1176, R.R.S., 1943, for those Directors and District employees required to provide their own vehicles. However, if air travel is available, the District shall reimburse the lesser amount, i.e., if lowest available rate for air travel is \$200.00 and mileage is \$225.00 the District shall only pay \$200.00. If air travel is available and Directors or District employees choose to drive, they will be reimbursed for the reimbursable expenses for one travel day and Directors shall be paid for only one day of per diem. If air travel is available, additional housing expense will not be allowed as a reimbursable expense if road transportation is utilized as a matter of choice.

[December 5, 1986; February 4, 1988]

## **15.2 Purchasing - Professional Services.**

A. Statement of purpose. It is the purpose of this policy to provide a uniform procedure for advertising for and selecting firms for the award of contracts for professional services.

B. Definitions. As used throughout this policy, unless the context otherwise requires, the following terms shall have the following meanings:

1. Firm: Any person, partnership, association or corporation engaged in, and legally authorized to practice in the state, a professional service.
2. Professional services: Any one or more of the following services: architecture, engineering, land surveying, landscape architecture or land appraisal.
3. Auditing Services: Auditing Services are excluded from the requirements of Policy 15.2.B.2. and shall be obtained in accordance with Policy 15.6 Purchases by Formal Competitive Bidding.” The District shall obtain bids for auditing services at a minimum of every five years.

C. Selection Committee. The Ad Hoc Selection Committee responsible for selecting and negotiating with firms for these professional services shall consist of three Directors appointed by the Chairperson and one non-voting staff member appointed by the General Manager, or, as determined by the Chairperson, five Directors appointed by the Chairperson and two non-voting staff members appointed by the General Manager.

D. Request for Services. Projects that have been determined by the General Manager as requiring professional services shall be advertised at least once in the daily newspaper having the greatest circulation in the District. Written requests for professional services (requests for proposals) may be sent by Management to known qualified firms. Such requests for professional services shall indicate that those firms wishing to participate shall contact the District for a copy of the general scope of the professional services. All firms requesting a copy of the general scope of the professional services shall be given a uniform date by which to reply, and the name of the District staff member to contact for replies to any questions.

E. List of Firms. A list of all firms interested in providing professional services shall be developed and maintained by Management. Statements of qualifications and past performance data will be required to be filed by interested firms. Such statements should include the following:

1. Firm name, address, telephone number;
2. Years established and former names;
3. Type of services particularly qualified to perform;
4. Names of principals and states in which they are registered;
5. Names of key personnel to be utilized, experience of each and length of service with the firm;



6. Maximum number of the staff at any one time;
7. Outside consultants and associates that might be employed;
8. List of similar completed projects for which the firm was the principal professional;
9. Similar current projects of the firm and estimated construction costs of each; and,
10. History of professional negligence claims made against the firm during the past five years.

F. Reply by interested firms. After the firm has obtained a copy of the general scope of the professional services, then firm shall reply in writing to the General Manager to the following items:

1. Express if they are interested in the project;
2. Relate any changes in the firm's qualifications and past performance date from those previously submitted;
3. Express willingness and capability to meet time requirements;
4. Other additional material as may be outlined in the scope of the project, or as may be beneficial to the selection committee; and,
5. Provide a proposed plan of approach to the project.

G. Method of selection. The method of selection of a firm for professional services shall be in accordance with the following estimated fees, as established by the General Manager:

1. When the fee does not exceed twenty thousand dollars (\$20,000.00), the General Manager shall select the firm directly, giving consideration which shall include, but not be limited to, the following:
  - a) Firms which have sufficient professional manpower to meet project schedules;
  - b) Firms with a sound performance record for meeting time and budget requirements;
  - c) Firms which possess project experience and management ability;
  - d) Recent, current and projected work load with the District; and,
  - e) Any other specialized qualification which the firms might possess to benefit the project.
2. When the fee exceeds twenty thousand dollars (\$20,000.00), the Ad Hoc selection committee shall, where possible, select the three (3), or more at its discretion, best qualified firms in accordance with the considerations set out in subsection (a),

above, and from the reply to the items set out in subparagraph F. The selection committee shall rank the firms first, second, third, etc. Where possible, the three (3) or more at its discretion, best qualified firms shall be given a time and place for a personal interview by the selection committee. After review of submittal materials and the personal interview, the selection committee shall rank the firms first, second, third, etc.

H. Fee negotiations.

The firm ranked as first shall be notified to appear and negotiate with Management on the fee, detailed scope and schedule for the professional services requested. If Management and the firm selected as first cannot come to an agreement regarding the fee, the negotiations with that firm shall be terminated and the firm ranked second shall be contacted. If the factors which caused them to be ranked as such have not changed, negotiations shall be initiated with them. The procedure shall be repeated until an agreement is reached if it can be reached.

Where agreement is reached, the contract in final written form shall be submitted to the Ad Hoc selection committee for approval and be awarded and executed, if approved, in accord with all applicable provisions of these policies and applicable provisions of State Statutes.

I. Board authority not limited. Nothing in this policy shall be construed to abrogate, limit or amend the authority of the Board in the award or approval of contracts.

[December 5, 1986; June 13, 1991; January 9, 1992; January 12, 2006]

**15.6 Purchasing - Competitive Bidding.** The competitive bidding requirements hereinafter set forth shall not apply to the purchase of utilities, insurance policies, intangible personal property, such as bonds, bills, notes and certificates of deposit, and unique or non-competitive items, such as library books, publications and used personal property.

A. Purchases Exempt from Competitive Bidding. Whenever the consideration or price for the purchase of any service or any item of personal property, or whenever the aggregate consideration or price for the purchase in one transaction of two or more similar or identical services or items of personal property, shall be \$2,000 or less, such service(s) or item(s) of personal property may be purchased from any supplier of such service(s) or item(s) without calling for competitive bids.

B. Purchasing by Informal Competitive Bidding. Whenever the consideration or price for the purchase of any service or any item of personal property, or whenever the aggregate consideration for the purchase in one transaction of two or more similar or identical services or items of personal property, shall be estimated by Management to exceed the sum of \$2,000 and be less than \$20,000, Management shall cause the following information to be communicated to at least three known suppliers of such service or item, or in the case of two or more similar or identical services or items of personal property to be purchased in one transaction, to at least three known suppliers of all of such services or items, to-wit: (a) the specifications for such service(s) or item(s), and (b) an Invitation for Informal Competitive Bids (Form 15.6.B., Manual of Standard Forms, (Appendix E)) thereon, including a notification of the final time for the reception of bids. Management shall award such contract to the supplier determined by Management to be the lowest responsible bidder whose informal written bid shall be timely received. A written memorandum of such communications and copies of the informal bids thus received shall be made and maintained in the files of the District and available for inspection by any interested person during all normal business hours; provided, however, in the event the lowest and best informal bid thus received exceeds the sum of \$20,000, Management shall submit to the Board for its consideration and action the informal bids received by the District. A written memorandum of such communications and copies of the informal bids thus received shall be made and maintained in the files of the District and available for inspection by any interested person during all normal business hours.

C. Purchases by Formal Competitive Bidding.

1. Whenever the consideration or price for purchase of any service or item of personal property, or the aggregate consideration or price for the purchase in one transaction or of two or more similar or identical services or items, shall be estimated by Management to be the sum of \$20,000 or more, Management shall prepare or cause to be prepared detailed written specifications for such service(s) or item(s), and an invitation for bids thereon, and shall transmit a copy of the invitation for bids by mail to each known supplier of such service or item, or in the case of two or more services or items to be purchased in one transaction, to each known supplier of all of such services or items, or, as determined by the General Manager, the General Manager shall cause the invitation for formal sealed competitive bids to be published once each week for two consecutive weeks in a publication having general circulation within the District, the last

publication of which shall be at least one week, and not more than three weeks, prior to the final time for reception of bids.

2. All formal sealed competitive bids received by the General Manager shall be publicly opened and read by the General Manager, or a designated representative, at the time specified in the invitation for bids. The bid opening must occur at least one week, and not more than two weeks, prior to the next duly convened meeting of the appropriate Subcommittee of the Board.
3. Contracts for the purchase of services or items of personal property in the amount of \$20,000 or more shall be awarded to the lowest responsible bidders by resolution of the Board, which reserves the right to accept or reject any and all bids in whole or part. Contracts shall not be phased or split to avoid the limitation.
4. Invitations for formal sealed competitive bids shall be drawn in accordance with Form 15.6.C., Invitation for Formal Competitive Bids, in the District's Manual of Standard Forms (Appendix E).

D. Unforeseen Requirements. In the event Management determines that there exists a need for personal property for an unforeseen need, repair, parts or materials for District projects which these regulations would normally require to be let for formal sealed competitive bids, he may use the informal bidding procedure described in Policy 15.6.B. to purchase such item or items.

[December 5, 1986; June 13, 1991; December 9, 1993; December 10, 1998]

## Audit Committee Charter Matrix for Government Organizations

**Instructions for Using This Tool.** Government organizations have become increasingly interested in establishing audit committees to provide oversight for financial reporting, internal controls, and auditors' activities. Preparing an audit committee charter is actually required for most public companies. However, the charter is voluntary and a best practice for government organizations. This tool is designed to help government organizations consider the full breadth of audit committee activities and make the audit committee charter an effective document for managing audit committee activities. This tool is meant as a sample. Because government organizations have their own laws and regulations to consider, the audit committee charter presented here (first column) should be modified based on each government's requirements. Users of the tool should establish their own charter; list each charter objective in the first column; and use this example as a guide for defining the steps to accomplish each objective, the associated deliverable, and the frequency.

This tool uses the term *governing body* to describe those in government organizations that have the ultimate authority and responsibility for accountability of that government's public resources. At the federal, state, and local levels of government, the governing body may be a federal agency department head, legislative body, elected official(s), governing board, supervisory board, council, or any designee established by law or charter. This tool also refers generically to chief executive officers, chief financial officers, and chief audit executives for positions in government organizations that are responsible for management, financial and accounting, and internal audit matters.

## Audit Committee Charter Matrix for the Year Ending: \_\_\_\_\_

Audit		Steps to Accomplish		When to Achieve	
Committee		the Objective		(Frequency Due Date)	
Charter		the Objective		Due Date)	
1. Each member of the audit committee should be appointed by the governing body.		Identify/solicit interested individuals, including governing body members, who wish to serve on the committee.	Indicate in the audit committee minutes whenever a new member is appointed.	Affirm annually or whenever a change in status by any audit committee member occurs.	
		Forward information about interested individuals to the governing body for consideration.			
2. At least one member of the audit committee should have financial experience.		Ascertain that at least one member of the audit committee has sufficient financial experience to provide guidance and assistance to other audit committee members; provide training if necessary.	Acknowledge in audit committee meeting minutes which member of the audit committee is designated as having financial experience.	Affirm annually, unless there is a change in status.	
3. Review the committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the governing body. Consider changes that are necessary as a result of new laws, regulations, or accounting and auditing standards, including		Review the charter each year. Assess the appropriateness of each point in the charter in light of the previous year's experience. Assess the completeness of the charter in light of new best practices and new legal, regulatory, accounting, or auditing requirements.	Report to the governing body on the appropriateness of the audit committee charter and any revisions recommended.	Review annually, unless changes are needed during the course of the year.	

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve	
			(Frequency)	Date
			Due Date)	Completed
<i>Government Auditing Standards</i> (Yellow Book) issued by the Comptroller General of the United States.				
4. The audit committee should meet at least four times per year, and at additional times when necessary. These meetings may be combined with regularly scheduled meetings, or may be held more frequently as circumstances may require. The audit committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.	In-person meetings should be held at least once each quarter. All members should be expected to attend. Arrange meetings in accordance with the government organization's open meeting laws. Prepare agendas for meetings and provide to members in advance, along with appropriate briefing materials.	Prepare meeting notices and advertisements as required by open meeting laws. Prepare minutes that document decisions made and action steps and approve them. File meeting minutes according to open meetings laws.	Minutes should be distributed as soon as possible but no later than before the next meeting.	
5. Conduct executive sessions with the independent auditors, chief executive officer (CEO), chief financial officer (CFO), chief audit executive/internal auditor (CAE), general counsel, outside counsel, director of financial reporting, controller, and anyone else as desired by the committee.	Determine reasons for which executive sessions may be conducted according to the government organization's open meeting laws. Establish these sessions in conjunction with quarterly meetings or as necessary. (See the tool "Conducting an Executive Session: Guidelines and Questions" in this toolkit.	Develop action steps to be taken, if appropriate.	Review quarterly, and as necessary.	

*AICPA Audit Committee Toolkit: Government*

			<b>When to</b>	
<b>Audit</b>	<b>Steps to</b>		<b>Achieve</b>	
<b>Committee</b>	<b>Accomplish</b>		<b>(Frequency</b>	<b>Date</b>
<b>Charter</b>	<b>the Objective</b>	<b>Deliverable</b>	<b>Due Date)</b>	<b>Completed</b>
<p>6. The audit committee shall be authorized to hire professional consultants as necessary. (This may take place any time during the year.)</p> <p>See the tool “Points to Consider When Engaging External Resources” in this toolkit.</p>	<p>A budget should be established for this purpose.</p> <p>Requests for proposals (RFPs) should be used if required by the government organization’s procurement laws.</p>	<p>Review the report submitted by consultant.</p>	<p>Review as needed.</p>	
<p>7. Review and concur on the appointment, replacement, reassignment, or dismissal of the CAE.</p> <p>(Note: some or all of this objective may not apply in those circumstances in which the CAE is an elected official.)</p> <p>(See the tool “Guidelines for Hiring the Chief Audit Executive” in this toolkit.</p>	<p>Meet in executive session at each meeting with the CAE.</p> <p>Hold special meetings as may be necessary to address appointment, reassignment, or dismissal of CAE.</p> <p>The audit committee chair should be available if any unforeseen issues arise between meetings relating to the CAE.</p> <p>Meet at least once annually with other members of executive management and the independent auditors to discuss the performance of CAE.</p>	<p>Report to the governing body on the performance of the CAE including the effectiveness of the internal audit function.</p>	<p>Conduct ongoing reviews, as changes can be made at any time during the year.</p>	



Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve	
			(Frequency)	Date Completed
<p>8. Oversee the appointment of the independent auditors to be engaged by the government organization for external reporting, and establish the related audit fees. (Note: this objective does not apply when the independent auditors are mandated by laws or regulations to perform audits for external reporting purposes.)</p> <p>If the audit organization provides any nonaudit services, determine that the audit organization has considered and documented its consideration of how providing these nonaudit services does not violate the requirements that the audit organization (1) not provide services that involve performing management functions or making management decisions, and (2) not audit their own work, as stipulated in <i>Government Auditing Standards</i>.</p>	<p>Discuss job satisfaction and other employment issues with the CAE.</p> <p>At least once each year, discuss the appointment and related audit fees with management, the CAE, and the governing body.</p> <p>Review total audit fee in relation to any nonaudit services being provided by the independent auditor.</p> <p>Discuss the audit committee's review of the independent auditors with the governing body.</p> <p>Ascertain that the independent auditors do not perform any nonaudit service that is prohibited by generally accepted auditing standards or <i>Government Auditing Standards</i>.</p>	<p>Report on the performance of and recommend the fees to be paid to the independent auditors. Review the scope of all services provided by the independent audit firm throughout the government organization.</p>	<p>Review soon after year end, so that the recommendations for next year's external audit requirements can be met.</p>	

					When to	
Audit		Steps to			Achieve	
Committee		Accomplish			(Frequency	Date
Charter		the Objective			Due Date)	Completed
Review and evaluate the performance of the independent auditors.						
Review with the full governing body any proposed discharge of the independent auditors.						
(Note: this objective does not apply when the independent auditors are mandated by laws or regulations to perform audits for external reporting purposes.)						
(See the tool "Request for Proposal Letter Checklist for CPA Services (Government Organization)" in this toolkit.)						
9. In cases where the use of a particular independent auditor is not specified by law or regulation, consider establishing a regular schedule for periodically re-bidding the audit contract with an outside CPA firm.	Create a regular schedule to re-bid the audit contract.	Document the schedule in audit committee meeting minutes.	Review schedule annually as part of the evaluation of independent auditors, and determine if the schedule needs to be accelerated.			

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve	
			(Frequency)	Date
			Due Date)	Completed
(See the tool "Request for Proposal Letter Checklist for CPA Services (Government Organization)" in this toolkit.)				
10. Review with management the policies and procedures with respect to the government organization's public officials' and management's use of expense accounts, public monies, and public property, including, for example, their use of the government organization's vehicles. Consider the results of any review of these areas by the internal auditor or the independent auditors.	Review policies and procedures annually. Discuss with CAE the need for testing by either the internal auditors, independent auditors, or other parties.	Report issues, if any, to the governing body.	Review policies and procedures at the second quarterly meeting and discuss audit plan.  Review any significant findings as they arise.	
11. Consider, with management, the rationale for employing audit firms other than the principal independent auditors for services that the government organization or the independent auditor determine would not be appropriate for the principal independent auditor to perform.	If the independent auditor is being considered to provide nonaudit services, ensure that the auditor has considered how these services would impact its independence with respect to the financial statement audit, as required by <i>Government Auditing Standards</i> .	Document auditor selection criteria. Also, use a decision matrix to evaluate and document independent auditor selection.  Review engagement letter for each engagement.	Continually review the policy and compliance with it.  Other auditors may need to be hired at any point during the year.	

				When to	
Audit		Steps to		Achieve	
Committee		Accomplish		(Frequency	Date
Charter		the Objective		Due Date)	Completed
		<p>Use RFPs for engaging auditors or other professionals for nonaudit or other services that the auditor cannot perform.</p> <p>Review compliance with the policy by management. (See the tool "Request for Proposal Letter Checklist for CPA Services (Government Entity)" in this toolkit.)</p>			
12. Inquire of management, the CAE, and the independent auditors about significant risks or exposures facing the government organization; assess the steps management has taken or proposes to take to minimize such risks to the government organization; and periodically review compliance with such steps.		Create a portfolio that documents the material risks that the government organization faces. Update as events occur. Review with management and the CAE quarterly, or sooner if necessary, to make sure it is up-to-date.	Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.	Review at least once each year, and more frequently if necessary.	
13. Review with the independent auditor, the controller/finance director of the government organization, and the CAE, the audit scope and plan of the internal auditors and the independent auditors. Address the		Meet with independent audit partner, the controller/finance director, and the CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.	Document the meeting in the audit committee meeting minutes.	At the second-quarter meeting each year, review the scope of the previous year's audit, and the interrelationship between the internal and independent auditors with respect to the scope of the independent auditors' work.	

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)	Completed
coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.			At the third-quarter meeting each year, review the plans for the audit of the current year.	
<p>14. Review with management and the CAE:</p> <ul style="list-style-type: none"> <li>• Significant findings on internal audits during the year and management's responses thereto</li> <li>• Any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work or access to required information</li> <li>• Any changes required in the scope of their internal audits</li> <li>• The internal audit department budget and staffing</li> <li>• The internal audit department charter</li> <li>• The internal audit department's compliance with applicable standards (for example, <i>Government Auditing Standards</i>, or the Institute of Internal Auditors' (IIA's) Standards for the</li> </ul>	<p>Review reports of all internal audits from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit.</p> <p>Review and discuss the findings for each audit completed since the prior meeting, and management's response to the report.</p> <p>Discuss the internal audit department budget and staffing with the CAE.</p> <p>Discuss the internal audit department's compliance with applicable standards, including the requirement for a peer review once every three years.</p>	Report on the status of all internal audits planned for the next quarter and/or year.	Review at each meeting.	

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve	
			(Frequency Due Date)	Date Completed
Professional Practice of Internal Auditing)				
15. Inquire of the CEO and CFO regarding the fiscal health of the government organization as well as the financial status of the government organization in relation to its adopted budget.	Discuss the fiscal health of the government organization and its financial status in relation to the adopted budget with the CEO, CFO, and other executives. Identify any issues addressed, and their resolution.	Include in agenda for executive sessions. See the tool "Conducting an Executive Session: Guidelines and Questions" in this toolkit.	Review, as necessary, but at least annually.	
16. Review with the independent auditors and the CAE: <ul style="list-style-type: none"> <li>The adequacy of the government organization's internal controls including computerized information system controls and security</li> <li>Any related significant findings and recommendations of the independent auditors and internal auditors together with management's responses thereto</li> </ul> (See the tools "Internal Control: A Tool for the Audit Committee" and "Fraud and the Responsibilities of the Government Audit	Review the reports of the internal audit team for all audits completed since the prior audit committee meeting. Review key internal controls with the CAE, and understand how these controls will be monitored during the year. Review these plans with the independent auditor to understand their scope with respect to key controls. Review with the CAE the plans for audits of other elements of the control environment. Determine that all internal control weaknesses are quantified, reviewed, and addressed.	Report to the governing body on issues relating to internal controls, with emphasis on management's ability to override controls and related monitoring.	Submit a comprehensive report to the governing body at the second-quarter meeting each year.  Update on anything new, or any changes to the internal control system, at every meeting.	

<b>Audit Committee Charter</b>	<b>Steps to Accomplish the Objective</b>	<b>Deliverable</b>	<b>When to Achieve</b>	
			<b>(Frequency Due Date)</b>	<b>Date Completed</b>
Committee" in this toolkit.)				
17. Review with management and the independent auditor the effect of any regulatory and accounting initiatives, such as related organizations financing structures, derivatives, or securities lending.	Independently, through professional reading and CPE, keep up-to-date on new developments related to the government environment, including any regulatory and accounting requirements the government may be subject to.  Discuss with management and the independent auditors in meetings.  (See the tool: "Management's Summary of Unique Transactions and Financial Relationships" in this toolkit.)	Record discussion and any action steps in audit committee meeting minutes.	Review as necessary.	
18. Review with the independent auditor that performs the financial statement audit: <ul style="list-style-type: none"> <li>• All critical accounting policies and practices used by the government organization</li> <li>• All alternative treatments of financial information within generally accepted accounting principles that have been discussed with the government</li> </ul>	Discuss each matter, and related matters that may come to the attention of the audit committee and/or the independent auditors through this process.  Create an action plan and follow-up plan as necessary.	Submit reports and documentation of discussions and resolution of disagreements.	Review, at least annually, and/or in conjunction with the year-end audit.	

					When to Achieve	
Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	(Frequency Due Date)	Date Completed		
organization's management, the ramifications of each alternative, and the treatment preferred by the government organization						
19. Review all significant written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.	Discuss each item with the independent auditors and management (including the CAE) and conclude on the appropriateness of the proposed resolution.	Submit reports and documentation of discussions, resolution of issues, and the action plan for any items requiring follow-up and monitoring.	Review at the completion of the independent audit.			
20. Review with management and the independent auditors: <ul style="list-style-type: none"> <li>The government organization's annual financial statements, and related footnotes, and management's discussion and analysis</li> <li>The independent auditors' audit of the financial statements and their report thereon</li> <li>The independent auditors' judgments about the quality, not just the acceptability, of the government organization's accounting principles as</li> </ul>	Discuss each matter, and others that may come to the attention of the audit committee through this process, with management (including the CAE) and the independent auditors.  Review with management the course of action to be taken for any action requiring follow-up.  Monitor any follow-up action that requires continued audit committee intervention.	Submit reports and documentation of discussions, or action plan for any item requiring follow-up.	Review at the completion of the independent audit.			
			When to			



Audit Committee	Steps to Accomplish	Deliverable	Achieve (Frequency Due Date)	Date Completed
Charter	the Objective			
<p>applied in its financial reporting</p> <ul style="list-style-type: none"> <li>• The independent auditors' single audit of the federal awards administered by the government organization and their reports thereon</li> <li>• Any significant changes required in the independent auditors' audit plan</li> <li>• Any serious difficulties or disputes with management encountered during the audit</li> <li>• Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, <i>Communication With Audit Committees</i> (AICPA, <i>Professional Standards</i>, vol. 1, AU sec. 380), as amended; U.S. Government Accountability Office's <i>Government Auditing Standards</i>; and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits</li> </ul>	<p>(See the tool "Discussions to Expect from the Independent Auditor" in this toolkit.)</p>			
			When to	

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	Achieve	
			(Frequency Due Date)	Date Completed
21. Review with the general counsel and the CAE legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations.	Discuss whether the government organization is in compliance with applicable laws and regulations.	Report to the governing body that the review has taken place and any matters that need to be brought to its attention.	Review at each meeting.	
22. Periodically review the government organization's code of conduct to ensure that it is adequate and up to date. Review with the CAE and the government organization's general counsel the results of their review of compliance monitoring with the code of conduct.	Review results with the CAE and general counsel. Consider any adjustments that may be necessary to the government organization's code of conduct. Consider steps that may need to be taken to ensure that compliance is at the highest possible level.	Report to the governing body that the review of the code of conduct was done. Recommend changes to the code of conduct to the governing body as needed.	Review annually at the fourth-quarter meeting. Review any significant findings as they arise.	
23. Review the procedures for the receipt, retention, and treatment of complaints received by the government organization regarding accounting, internal accounting controls, auditing	Review procedures with the CAE and the general counsel. Review all complaints that have been received and the status of resolution. Ensure that proper steps are taken to investigate	Review an original of each complaint received, no matter the media used to submit them. Discuss the status or resolution of each complaint. Review a cumulative list of complaints submitted to date	Review at each meeting.	

				When to	
Audit		Steps to		Achieve	
Committee		Accomplish		(Frequency	Date
Charter		the Objective		Due Date)	Completed
matters, or suspected fraud that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.		complaints and resolve them in a timely manner. See the tool: "Anonymous Submission of Suspected Wrongdoing: Issues for Government Audit Committees to Consider" in this toolkit.	for common patterns or other observations.		
24. Review procedures for the confidential, anonymous submission by the government organization's employees of concerns regarding questionable accounting or auditing matters, or suspected fraud. Review any submissions that have been received, the current status, and the resolution if one has been reached.		Review procedures with the CAE and the general counsel. Review all complaints that have been received and the status of resolution. Ensure that proper steps are taken to investigate complaints and resolve them timely.	Review an original of each complaint received no matter the media used to submit them. Discuss the status of resolution of each complaint. Review a cumulative list of complaints submitted to date for common patterns or other observations.	Review at each meeting.	
25. The audit committee should evaluate the independent auditors and internal auditors.		Use information from audit committee meetings and executive sessions conducted throughout the year. Use a formal assessment tool for each group. See the tools: "Evaluating independent Auditors:	Submit recommendations for changes in process and procedures. For independent auditors, request RFPs if changes are being considered. (Note: this deliverable does not apply when the independent auditors	Review after completion of the annual audit cycle.	

				<b>When to Achieve</b>	
<b>Audit Committee Charter</b>	<b>Steps to Accomplish the Objective</b>	<b>Deliverable</b>	<b>(Frequency Due Date)</b>	<b>Date Completed</b>	
	Questions to Consider” and “Evaluating the Internal Audit Team: Guidelines and Questions” in this toolkit.	are mandated by laws or regulations to perform audits for external reporting purposes.)			
26. The audit committee should review its effectiveness.	The audit committee should conduct a self-assessment and 360-degree evaluation of all members. See the tool: “Conducting an Audit Committee Self-Evaluation: Guidelines and Questions” in this toolkit.	Discuss recommendations for improving the effectiveness of the audit committee with the governing body.	Review annually.		
27. Create an agenda for the ensuing year or review and approve the agenda submitted by the CAE.	Complete the “Audit Committee Charter Matrix.” (Use this tool as a sample, and tailor it to your organization.)		Review at the fourth-quarter meeting for the upcoming year.		

## RESOLUTION

Papio Missouri River Natural Resources District  
Financial Expenditure and Legal Subcommittee  
April 11, 2006

BE IT RESOLVED that an Audit Advisory Committee be established, consisting of three residents of the District, independent of management and the outside auditor, who are appointed by and serving at the pleasure of the Financial, Expenditure and Legal (FEL) Subcommittee of the Papio-Missouri River Natural Resources District. Such members shall possess the technical skills necessary to communicate with, advise and assist the FEL Subcommittee in its independent oversight role regarding the District's financial reporting, and auditing processes.

BE IT FURTHER RESOLVED that a Charter be established by the FEL Subcommittee with the Audit Advisory Committee members to define the responsibilities and duties of the independent Audit Advisory Committee based upon the Papio-Missouri River Natural Resources District's accounting and financial reporting requirements; and

BE IT FURTHER RESOLVED that the Board of Directors of the Papio-Missouri River Natural Resources District be presented with a Charter for the Audit Advisory Committee for the Board's approval in a timely manner. The Charter may be amended as needed by the Board from time to time.



## **Experience**

Mr. Rouch had 34 years in public accounting, retiring from Deloitte & Touche in May 2004. Since retirement, Jim has served as an adjunct instructor for the University of Nebraska-Lincoln, teaching both undergraduate and graduate level auditing

## **Professional & Civic Affiliations**

- American Institute of Certified Public Accountants
- Nebraska Society of Certified Public Accountants, *Past President*
- Omaha Metro Area Chapter of the Association of Government Accountants

## **Education**

*University of Nebraska-Lincoln*

- Masters of Business Administration
- B.S. in Business Administration

## **Sample of Clients Jim Has Served As Lead Partner**

City of Lincoln

City of Omaha

Douglas County

Omaha Public Power District

Metropolitan Utilities District

Cornhusker Public Power District

Douglas County

Cal Energy Company

University of Nebraska-Lincoln

MidAmerican Energy Holdings Company

Magma Power Company

Falcon Seaboard Resources, Inc.

Union Pacific Resources Groups

8712 West Dodge Road • Suite 200 • Omaha, NE 68114 • (402) 397-8822 • Fax (402) 397-8649

**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To The Board of Directors

Papio-Missouri River Natural Resources District  
Omaha, Nebraska

Implicit that Board has  
read and understands  
these reports.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District (the District), a political subdivision of the State of Nebraska, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and

scope

opinion

disclaimer

other report

\* What do these terms and phrases mean?

Independent Auditors' Report on Basic Financial Statements and  
Supplemental Schedule of Expenditures of Federal Awards (Continued)  
Page 2

grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 30 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 41 and 42 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Supplemental  
Information*

Omaha, Nebraska  
September 2, 2005

*Bland & Associates, P.C.*



5712 West Dodge Road • Suite 200 • Omaha, NE 68114 • (402) 397-8822 • Fax (402) 397-8649

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS \*

To The Board of Directors

Papio-Missouri River Natural Resources District  
Omaha, Nebraska

We have audited the financial statements of Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance \*

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. \* The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting \*

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. \* A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. \* However, we noted other matters involving the internal control over financial reporting that we have reported to the District's management in a separate letter dated September 27, 2005. \*

Independent Auditors' Report on Compliance and on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards* (Continued)  
Page 2

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska  
September 2, 2005

*Blund & Associates, P.C.*

8712 West Dodge Road · Suite 200 · Omaha, NE 68114 · (402) 397-8822 · Fax (402) 397-8649

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 \*

To The Board of Directors

Papio-Missouri River Natural Resources District  
Omaha, Nebraska

We have audited the financial statements of Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 2, 2005. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Compliance \*

We have audited the compliance of the District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanied schedule of findings and questioned costs.

Independent Auditors' Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control Over  
Compliance In Accordance With OMB Circular A-133 (Continued)  
Page 2

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska  
September 2, 2005

*Bland & Associates*

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

A. SUMMARY OF AUDIT FINDINGS

1. The Independent Auditors' Report dated September 2, 2005, expressed an unqualified opinion on the basic financial statements of Papio-Missouri River Natural Resources District.
2. No reportable conditions were found during the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 for the District expressed an unqualified opinion.
5. One audit finding related to the major Federal awards program of the Papio-Missouri River Natural Resources District was found.
6. The only program tested for compliance was the FEMA Floodway Mapping project (CFDA No. 97.045).
7. The threshold for distinguishing between Type A and B programs was \$300,000.
8. The Papio-Missouri River Natural Resources District was considered to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

The following reportable conditions were found during the financial statement audit:

1. The District tracks only the assets that it purchases or disposes of, but does not internally track the total capital assets for reporting purposes. \*
2. The District does not separate the federal award monies from other monies received. \*
3. Effective segregation of duties is not in place, since the person reconciling bank balances to account balances also has responsibilities relating to cash receipts, cash disbursements, and preparing or approving vouchers for payment. \*

— why isn't Finding Number 3 a material weakness? (P)

— does management agree with the factual basis of the findings? (P)

— Have the findings been resolved? (P)

— if not, why not? (P)

## **Questions about the District's Audit**

Who is responsible for the preparation, content, completeness and quality of the District's financial statements?

What is the purpose of the audit?

Was the audit firm technically proficient? Does the firm have experience auditing other entities with accounting, reporting, statutory and compliance requirements comparable to the District's requirements?

Has the auditor received a Peer Review? Was the Peer Review report obtained and reviewed by the District's Board? Have there been any complaints about the firm or its personnel filed with the State Board of Public Accountancy? Has the auditing firm been involved in litigation with clients or third parties with respect to its audit practice?

Was there continuity of audit staff? Were staff experience levels appropriate for their assignments? Were specialists involved in the audit?

What does auditor independence mean? Was the auditor independent? Does it matter?

Was there a contract with the auditor? If so, what were its terms? Who signed it?

What materiality level did the auditor use?

Were accounts, balances and transactions examined on a 100% basis.?

If not, how were audit tests determined and performed? What were the extent of tests?  
Statistical sampling? Judgmental sampling? Block sampling? Other methods?

What precision, reliability and monetary factors did the auditor use? Was internal control evaluated? If so, how did the evaluation affect the extent of audit tests?

What risk factors were identified and considered in planning the audit?

Did the audit plan consider the possibility of fraud?

Did the audit detect errors which resulted in proposed audit adjustments?

If so, did management make such adjustments? Were there unadjusted errors?

How did the auditor assess financial statement judgments and estimates? What were they? Were there any changes in the bases management used to determine such judgments and estimates as compared to prior periods?

Did the auditor have any disagreements with management?