

MEMORANDUM

TO: Finance, Expenditure & Legal Subcommittee

SUBJECT: RFP for Auditing Services

FROM: Jack Lawless

DATE: May 8, 2006

The Request for Proposals for Professional Auditing Services was advertised in the Omaha World Herald on March 29, 2006 and again on April 5, 2006 in accordance with the Selection Schedule. There were two inquiries for additional information, one from Bland & Associates CPA's and one from Timothy Cortney, CPA.

Bland & Associates was the only firm to submit a bid. Their proposal for the 2006 Audit is \$34,000 plus \$400 for out-of-pocket expenses. Their proposal includes a five percent increase each year for the next four years. Bland contracted to perform our 2005 audit at \$33,500 plus out-of-pocket costs.

It is recommended that the Subcommittee recommend to the Board that the acting General Manager be authorized to execute a contract for auditing services with Bland & Associates for 2006 through 2010, subject to approval as to form by District's legal counsel.

PROPOSAL TO SERVE
PAPIO-MISSOURI RIVER NATURAL RESOURCES
DISTRICT

AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDING
JUNE 30, 2006, 2007, 2008, 2009, and 2010

BLAND
& associates
C P A s

Proposal to Serve
Papio-Missouri River Natural Resources District
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PROFILE OF BLAND & ASSOCIATES, P.C.

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We have been engaged by the Papio-Missouri River Natural Resources District to provide auditing services for the past 15 years. We have valued our involvement with District personnel in coordinating efforts to accomplish your goals with the least amount of disruption to the daily operations. There have been many changes in governmental accounting principles generally accepted in the United States of America recently. From a financial reporting standpoint, the Districts Financial Statements are not the same as they were 15 years ago. We would be honored to continue to provide these services. Since 15 years is a long time, and many changes have taken place, we will now re-introduce the District to Bland & Associates, P.C.

INTRODUCTION TO THE FIRM

Bland & Associates, P.C. was founded in 1976 as a sole proprietorship to serve all segments of the economy - both the public sector and the private sector - with a primary focus on providing solutions to client problems. We formed the firm because we recognized the need for CPA firms that are willing to take a "hands-on" approach to providing reasonably priced, professional accounting services tailored to a client's needs. This approach was designed to provide value added services to our clientele. Additionally, we recognized an opportunity to provide an environment for creative, people-oriented professionals to practice public accountancy. We operate without the bureaucratic restraints inherent in the very large CPA firms; yet provide the full spectrum of services required by our clientele. We have found this approach to be well received and extremely successful.

Though originally formed to serve the metropolitan Omaha and surrounding areas, our firm has grown during the last 30 years. **Bland & Associates, P.C.** is a local practice sited in Omaha, Nebraska, which also serves clients throughout the United States. Our firm provides audit, accounting, tax, and consulting services to both profit oriented enterprises and governmental institutions. Our firm operates in a 7,000 square foot office located at 8712 West Dodge Road. All work related to our clients is staffed from and directed out of the Omaha offices of the firm.

Bland & Associates, P.C.'s organization includes three shareholders, one manager, two supervisors, three senior accountants, ten staff accountants, and five administrative personnel. Six of these individuals hold permits to practice public accountancy in the State of Nebraska.

Our shareholders, Jason L. Tonjes, Jerry M. Bland, and David C. Riley, are heavily involved in all aspects of our practice and client base. All have extensive experience in providing professional services to the government sector whether performing governmental audits, Tribal audits, or administering contract and regulatory audits with the Federal government. No client is too large or too small to receive their personal attention.

The shareholders are supported by a management team of professional accountants who possess significant knowledge and experience in governmental accounting and auditing. All are either Certified Public Accountants or are in the process of becoming "certified". All are either directly involved on all governmental engagements or are available for consultation on technical matters. Through on-the-job training coupled with technical continuing professional education (CPE) programs related to governmental accounting and auditing, all nineteen members of our professional staff have various levels of experience in performing organization-wide audits. Where other firms have departmentalized and designated a few individuals as their

PROFILE OF BLAND & ASSOCIATES, P.C. (Continued)

"governmental auditing specialists", at **Bland & Associates, P.C.**, our entire office is dedicated to providing services to the governmental sector.

Bland & Associates, P.C. is a member of the American Institute of CPA's Private Companies Practice Section, and has successfully completed required Peer Reviews performed by an independent CPA firm. Our firm is also a member of the AICPA's Governmental Audit Quality Center. Our qualifications as a CPA firm and our participation in the AICPA's Peer Review Program assures our governmental clients that they will be served by a professional with quality standards validated by a highly respected independent professional organization - yet another example of **Bland & Associates, P.C.**'s qualifications to serve the Papio-Missouri River Natural Resources District.

TYPES OF SERVICES PROVIDED

Bland & Associates, P.C. is a full service firm of Certified Public Accountants equipped to provide a variety of services beyond traditional accounting and auditing. We also provide:

MANAGEMENT CONSULTING

At **Bland & Associates, P.C.**, the service team assigned to the District is available year round. The service team members are available to meet with District management on an as-needed basis to assist with financial, internal control, and/or planning. We do not go away after the audit is completed. Further, **Bland & Associates, P.C.** issues a management letter to all clients, addressing observations and recommendations for improvement in specific areas. In other words, **Bland & Associates, P.C.** will be there for the Papio-Missouri River Natural Resources District, as we have been for the past 15 years.

QUALITY CONTROL

We have a passion for quality in our service. A review process is utilized to assure that the highest standards are met. A manager and a shareholder review all services before they are considered complete. Each of these reviews is documented in our working papers. As mentioned previously, we are members of the AICPA Private Companies Practice Section and have undergone successful Peer Reviews. In accordance with requirements of *Government Auditing Standards*, a copy of our most recent external review report performed by the firm of Weaver and Tidwell, CPAs of Dallas, Texas, is attached for your review.

FULL SPECTRUM TAX SERVICES

Though not applicable to the financial and compliance audit of the Papio-Missouri River Natural Resources District, **Bland & Associates, P.C.** offers the full spectrum of tax services to our clientele. These services include:

- Federal and State income tax compliance
- Federal and State income tax planning
- Payroll tax compliance

PROFILE OF BLAND & ASSOCIATES, P.C. (Continued)

- Incorporation assistance
- Cost Segregation Studies
- Real and personal property taxation
- Sales and use tax
- IRS examinations
- Restructuring, reorganization, mergers, and buyouts
- Lease versus buy analyses
- Retirement planning for entities and individuals

STRATEGIC ALLIANCES

BKR International

Bland & Associates, P.C. is a member of BKR International, a network of CPA firms providing representation across the country and the world. When a government client, such as the Papio-Missouri River Natural Resources District, would like information on how similar Districts in other venues are dealing with a particular situation, the information related to Districts located in other states can be obtained through affiliated member firms. Additionally, **Bland & Associates, P.C.** personnel are active members of BKR International committees. These committees meet regularly to share information and ideas, allowing **Bland & Associates, P.C.** to better serve its clientele in both the public and private sectors.

Scarpello Consulting

Scarpello Consulting, Inc. is led by Tom Scarpello, an industrial engineer and former building contractor with extensive experience in both commercial and industrial construction. Tom also has significant experience in public accounting as both a cost segregation and construction consultant.

alliantgroup, LP

alliantgroup, LP is a national research and development ("R&D") tax credit counseling firm based in Houston, Texas with major offices in Chicago and Denver. alliantgroup's services will allow many of our clients to obtain significant cash refunds resulting from claiming Federal income tax credits over the last few years for costs incurred for product development, revisions to internal processes, and software or system upgrade implementation and development. Tax savings going forward is also a big part of the potential tax benefit which alliantgroup can identify.

Renaissance Financial

Renaissance Financial Corporation provides personal and corporate financial consultation to clients worldwide. Renaissance offers a variety of products and services, including estate planning, investment planning/portfolio analysis, and life insurance planning. They also have established separate divisions, such as RP Pension, to meet other specific needs.

SUMMARY OF FIRM QUALIFICATIONS

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With an excess of thirty years serving the government sector, we have become very efficient in various audit engagements. Most of our engagements are performed under a fixed fee contract with report issuance deadlines. Our cost control, timeliness, least disruptive approach, and quality of work are exemplary due to our years of experience. The end result is a timely, affordable, quality audit and management letter.

TECHNICAL GOVERNMENTAL EXPERTISE

Our general technical expertise covers several areas including job management and hands-on experience with:

- o Governmental entities, Tribal governments, enterprise funds, municipalities, County governments, County courts, School districts, HUD projects, national programs, state agencies, colleges, etc.
- o General Accounting Office, *Government Auditing Standards* (2003 Revision - the "Yellow Book")
- o Single Audit Act Amendments of 1996
- o OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*
- o OMB Circular A-133 updated Compliance Supplements
- o OMB Circular A-50, *Audit Follow-Up*
- o OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments* (with amendments through August 1997)
- o OMB Circular A-122, *Cost Principles for Non-Profit Organizations* (recompiled May 1997)
- o AICPA Statement of Position 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards* (March 1998)
- o Other AICPA pronouncements applicable to natural resource district audits

OUR SERVICE TEAM OF PROFESSIONALS

The following paragraphs provide insight into the qualifications of **Bland & Associates, P.C.**, as a firm of professionals, to provide all services requested by the Papio-Missouri River Natural Resources District in the request for proposal. Specifically, **Bland & Associates, P.C.** has the experience, governmental expertise, dedication, resources, and desire to conduct the annual financial and compliance audits of the District.

Size of Company

With our staff of professionals dedicated to the practice of public accountancy, we possess the capabilities of staffing, and have staffed, governmental engagements in excess of 2,400 hours, and in some instances, as in the case of our assignment with the Centers for Medicare and Medicaid Services, staffed assignments in excess of 38,000 hours with strict time frames for targeted deliverables. Through our affiliation with BKR International, discussed earlier, no assignment is too large or too small for **Bland & Associates, P.C.** We do not envision utilizing any BKR International affiliates in the performance of the audit of the District. Our staff contingent is comprised of:

SUMMARY OF FIRM QUALIFICATIONS (Continued)

Shareholders	3
Managers	1
Supervisors	2
Senior Accountants	3
Staff Accountants	10
Administrative Support Staff	5

OFFICE AUDITING EXPERIENCE

As discussed throughout this proposal, **Bland & Associates, P.C.** is predominantly involved in auditing within the public sector. We are governmental accountants and auditors. All members of our professional staff have hands-on governmental auditing experience. Some of our recent auditing experience that favorably compares to that requested by Papio-Missouri River Natural Resources District is listed below with a brief description of the services provided:

STATE AND LOCAL GOVERNMENTS

- ❖ Sarpy County, Nebraska
Contact: Brian Hanson
Phone: 593-2349

Organization-wide financial and compliance audit in accordance with the Single Audit Act Amendments of 1996, auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and related OMB Circulars.

- ❖ Douglas-Omaha Technology Commission (DOT.Comm)
Contact: Eric Stuftt
Phone Number: (402) 444 – 7265

Organization-wide financial audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- ❖ Omaha-Douglas Public Building Commission
Contact : Paul Cohen, Administrator
Phone Number: (402) 444 - 5345

Organization-wide financial audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

TRIBAL GOVERNMENTS

- Winnebago Tribe of Nebraska
- Osage Nation
- Santee Sioux Tribe of Nebraska
- Standing Rock Sioux Tribe
- Kickapoo Tribe of Kansas

SUMMARY OF FIRM QUALIFICATIONS (Continued)

- Prairie Band Potawatomi Nation
FEDERAL DEPARTMENT OF HEALTH AND HUMAN SERVICES

Audits of HMOs

Specialized audits of Medicare cost reimbursement reports of Health Maintenance Organizations for the Centers for Medicare and Medicaid Services performed in accordance with *Government Auditing Standards*.

Audits of Hospitals

Specialized audits of Medicare cost reimbursement reports of Hospitals for Mutual of Omaha performed in accordance with *Government Auditing Standards*.

Review of Adjusted Community Rate Proposals

Specialized procedures to review Adjusted Community Rate Proposals submitted to the Centers for Medicare and Medicaid Services by eligible health maintenance organizations, competitive medical plans, and provider sponsored networks for Medicare reimbursement on a risk basis.

COMPANY ORGANIZATION

Bland & Associates, P.C. is a professional corporation licensed to practice public accounting in the state of Nebraska, among other states. As previously mentioned, unlike other firms of CPAs, we have not found it necessary to designate only a portion of our professionals to the government services arena. Our entire staff has received training and all possess hands on experience in all aspects of services to the government sector. All have experience with "yellow book" audits and all have exposure to OMB Circular A-133. All are well versed in internal control reviews, compliance auditing, governmental reporting, and have hands on experience with GASB 34.

COMPANY LICENSURE

Bland & Associates, P.C. is properly licensed to practice public accountancy in the states of Nebraska and Iowa, among others, and both the firm and all Certified Public Accountants associated therewith are members in good standing with the applicable state Boards of Accountancy and with the American Institute of Certified Public Accountants.

Further, **Bland & Associates, P.C.** affirms the following to the Papio-Missouri River Natural Resources District:

All licensed staff assigned to perform the annual financial and compliance audits for the District are and will be members in good standing with the Nebraska State Board of Accountancy and the American Institute of Certified Public Accountants. Any individual losing this status will be removed from participation on the District's engagement and terminated from our employ.

SUMMARY OF FIRM QUALIFICATIONS (Continued)

QUALITY CONTROL SYSTEM

At **Bland & Associates, P.C.**, we have a passion for quality in the services we provide. An internal quality review program is in place for all work performed. The review process is utilized to ensure that the highest professional standards are met. All services performed at **Bland & Associates, P.C.** are reviewed by a manager, by a shareholder, and by an individual designated as the professional standards reviewer. This individual is independent of the work performed on an engagement and his or her review is designed to ensure quality and strict adherence to firm and professional standards. Bland & Associates, P.C. is also a member of the AICPA's Government Auditing Quality Center attesting to the Firms' commitment to Professional Standards.

As a member of the Private Companies Practice Section of the American Institute of Certified Public Accountants' Division for CPA Firms, **Bland & Associates, P.C.** has agreed to comply with its membership requirements, which include an external quality review every three years and an annual inspection. **Bland & Associates, P.C.** has retained the firm of Weaver and Tidwell, L.L.P., Certified Public Accountants of Dallas, Texas, to perform our external quality reviews. In accordance with our normal practice and in compliance with the requirements of *Government Auditing Standards*, we have attached a copy of the latest quality control system review conducted by Weaver and Tidwell, L.L.P.

Bland & Associates, P.C. meets or exceeds *Government Auditing Standards* requirements for an internal control system and is fully qualified to serve as the firm of professional CPAs for the Papio-Missouri River Natural Resources District.

RESULTS OF PEER REVIEW

We were issued a "clean" opinion during our latest peer review. See Appendix B.

KEY PERSONNEL - THE DISTRICT SERVICE TEAM

The following individuals are hereby designated as the "key personnel" for the Papio-Missouri River Natural Resources District financial and compliance audit:

Jason L. Tonjes, CPA, CFE – Managing Shareholder – Overall Job Responsibility

Jason Tonjes possesses over nine years of experience. His experience includes governmental financial and compliance reporting, internal control attestation, indirect cost proposals, and experience in a wide variety of audits within the public sector including Sarpy County, Nebraska. He is also licensed as a Certified Fraud Examiner.

Jerry M. Bland, CPA - Founding Shareholder

Jerry Bland has numerous years of experience performing governmental audits and administering contract audits. He was an instructor for the AICPA's Single Audit Concept course for state and local governments. This course dealt with the transition between OMB Circular A-102, Attachment P, and OMB Circular A-128 – predecessors of the new OMB Circular A-133. Jerry has coordinated county audits for the firm in the

SUMMARY OF FIRM QUALIFICATIONS (Continued)

past, and has served as the key administrator on the Centers for Medicare and Medicaid Services engagement. He is well versed in *Government Auditing Standards*, having served as an instructor for numerous in-house training programs on the subject. Jerry has been a key part of the District's audits for the past 15 years.

David C. Riley, CPA - Shareholder – Quality Control Review

David Riley has extensive, hands-on experience in governmental accounting and auditing. His experience includes governmental financial and compliance reporting, internal accounting controls reviews, systems design and enhancement, indirect cost proposals, program specific audits under *Government Auditing Standards*, and experience in a wide diversity of audits in the private sector. He made a presentation to the National Association of Government Accountants on OMB Circular A-133 prior to its issuance and is quite familiar with the reporting requirements of this circular and GASB 34.

Hilary Allen – Senior – In-charge responsibility

Hilary has nearly five years experience in public accounting. Her experience includes all phases of governmental accounting and auditing with a strong emphasis in compliance reporting, internal controls, and major program audits under *Government Auditing Standards*. Hilary will supervise the Papio-Missouri River Natural Resources District audit and has been in charge of the District audit for the past four years.

Other Staff Professionals

While not designated as "key personnel", all other professional staff members assigned to the District project will have experience in government accounting and auditing. All are trained and experienced and possess financial and compliance auditing skills.

Resumes of the foregoing individuals designated as "key personnel" to the audit of the Papio-Missouri River Natural Resources District are provided in Appendix A.

SCOPE OF SERVICES

SCOPE OF SERVICES

OUR UNDERSTANDING OF THE ENGAGEMENT

It is our understanding that Papio-Missouri River Natural Resources District (the District) is in the process of soliciting proposals from qualified firms of certified public accountants to provide financial and compliance auditing services in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the provisions of Office of Management and Budget Circular A-133, and rules and regulations promulgated by the State of Nebraska Auditor of Public Accounts. These audits must be performed to satisfy requirements in the Nebraska State Statutes, sections 2-3201 through 2-32,101 for the District for the years ending June 30, 2006, 2007, 2008, 2009, and 2010. We further understand that the audit work must be completed and the report finalized by the October Board Meeting of each year.

Overall Audit Plan

Our audit plan is based upon the audit requirements of *Government Auditing Standards*, AICPA audit and accounting guides, AICPA audit standards, AICPA Statement of Position 98-3, and the provisions of OMB Circular A-133. The following steps identify our plan:

Our audit plan, as described in the subsequent paragraphs, will allow us to:

- 1) Identify and address critical areas of exposure and non-conforming activities
- 2) Increase audit efficiencies each year and,
- 3) Assess risk.

Planning

We believe the most important item contributing to a successful audit is a proper and appropriate planning process. The key employees of our firm (identified previously) will be actively involved in this process. During the planning effort, critical audit areas are identified. We have found that, if an audit is not properly planned, it cannot be completed in a timely and effective manner. Involvement of the District personnel in this phase ensures that the District and **Bland & Associates, P.C.** coordinate efforts to accomplish the task at hand with the least amount of disruption to the District's daily operations. Our experience auditing the District for the past 15 years will greatly assist in the planning process.

GAAS Financial Audit

- * Preliminary review and documentation of internal controls
- * Tests of compliance on those systems on which reliance is to be placed
- * Substantive tests (analytical review and detailed tests of balances and transactions)

Government Auditing Standards Compliance Audit

- * Internal accounting and other controls
 - preliminary review

SCOPE OF SERVICES (Continued)

- documentation and evaluation of systems
- tests of compliance
- * Compliance with applicable laws and regulations
 - preliminary review
 - compliance requirements
 - general requirements
 - specific requirements

Report Preparation

- * Draft preparation
- * Draft review with Papio-Missouri River Natural Resources District personnel
- * Draft report
- * Final report

Exit Conference and Report Presentation

Conclusion and Other Considerations (including critique of audit for improvement)

PROJECT MANAGEMENT - OUR APPROACH

Planning (Shareholder, Manager, Senior, Staff)

The following procedures will be performed in the initial planning phase of the engagement.

- A. Update and Review statutory, industry, and accounting literature and documents
 - i. GAO *Government Auditing Manuals*
 - ii. OMB Circular A-133
 - iii. GASB 34
 - iv. OMB Compliance Supplement, *Uniform Requirements for Grants to State and Local Governments*
 - v. GAO *Standards for Audit*
 - vi. Government Accounting Standards Board - Generally Accepted Government Auditing Standards
 - vii. AICPA SOPs (with specific emphasis on SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards - March 1998*)
- B. Obtain and review organizational data (permanent file)
 - i. Organizational documents of the District
 - ii. Copies of State and Federal Grants/Contracts
 - iii. Copy of prior year audit report
 - iv. Property listings
 - v. Other relevant data, documents, and information (policies/procedures manuals, major commitments, leases, etc.)

SCOPE OF SERVICES (Continued)

- C. Preliminary discussions
 - i. Conference with District accounting personnel
 - ii. Conference with District management

- D. Identify and review financial status
 - i. Review internally generated reports for the year under examination
 - ii. Compare prior year audit report to internal financials and identify areas for specific review
 - iii. Review funding awards, waivers, and modifications

- E. Identify non-federal requirements, if any
 - i. State of Nebraska requirements
 - ii. District specific requirements
 - iii. Other

- F. Customize audit plan and program
 - i. Review custom audit program with District personnel
 - ii. Finalize custom audit program

- G. Schedule assignment
 - i. Review preliminary interim and fieldwork with District personnel
 - ii. Schedule fieldwork to encompass completion and deliveries prior to the October Board Meeting of each year
 - iii. Conference "key personnel" and notify staff scheduler of staffing requirements
 - iv. Finalize time budget

GAAS Financial Audit (Shareholder, Manager, Senior, Audit Staff)

Auditing standards generally accepted in the United States of America require a study and evaluation of the systems of internal control in order to form a basis of reliance thereon as well as an assessment of risk, and to determine the extent and nature of audit tests on the accounting and administrative records.

Based upon discussions with District personnel for each department, a preliminary review of the system of internal control will be made and documentation of the controls will be permanently maintained in the audit files. We will determine if we can place reliance upon the following cycles:

- Revenue or treasury and financing
- Purchases, warrants, payables, and disbursements
- Payroll/personnel
- Property/equipment
- General ledger maintenance
- Information systems procedures
- Financial reporting

SCOPE OF SERVICES (Continued)

Following our documentation of the system of internal control and our preliminary entrance conference with District personnel, we will revise, if necessary, the audit program, a series of written audit procedures, which serve as a guide to our field auditors as they perform the work.

Government Auditing Standards Compliance Audit (Shareholder, Manager, Senior, Audit Staff)

Internal Controls

Government Auditing Standards require that the auditor determine and report whether the audited entity, in this case the Papio-Missouri River Natural Resources District, has adequate internal control systems and to provide reasonable assurance that it is managing its federal funds in compliance with applicable laws and regulations. These internal controls are defined as methods and procedures adopted by the District's management to ensure that:

- resource use is consistent with laws, regulations, and policies
- resources are safeguarded against waste, loss, and misuse, and
- reliable data is obtained, maintained, and fairly disclosed in reports

We will perform a preliminary review of internal controls in all cycles in conjunction with our GAAS financial audit. We will document, evaluate, and test those cycles upon which we plan to place reliance utilizing statistical sampling techniques with confidence levels and other parameters we deem to be appropriate in the circumstances. For those cycles not relied upon, we will document and evaluate the controls which exist and perform sufficient tests of these controls in order for us to report thereon. Deficiencies noted, if any, will be brought to the attention of District representatives and included in our management letter to the District.

Compliance

Federal and State grant funds received by the District, on which audit tests will be performed, will be reviewed to determine if general and specific compliance requirements have been met. The OMB Compliance Supplement identifies the general compliance requirements and outlines the five general requirements as follows:

- Types of activities allowed/not allowed
- Eligibility for participation by participants
- Matching / level of effort, if applicable
- Reporting requirements
- Special tests and provisions

Audit tests will also be performed to determine if the general and specific compliance requirements have been met using the following criteria:

- Amount of expenditure
- Prior audit experience

SCOPE OF SERVICES (Continued)

- Newness of program or changes in conditions
- Extent to which the District contracts for goods or services
- Adequacies of controls for assuring compliance
- The expectation of adherence to applicable laws and regulations

We will also specifically address targeted compliance requirements including:

- Property records and inventory
- Budget line item reprogramming
- Timeliness of internal and external reporting
- Personnel policies and procedures
- Travel policies and procedures (including procurement)
- Information processing (IS or EDP) security and controls
- Funding terms and adherence to grant terms
- Amount of expenditures allowed

Report Preparation & Deliverables (Manager, Senior, Audit Staff)

Based upon *Government Auditing Standards* (2003 Revision), GASB 34, and requirements in OMB Circular A-133, our report on the Papio-Missouri River Natural Resources District will contain the following:

- Independent Auditors' Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards
- Management's discussion and analysis (MD&A). This is to be prepared by the District; however, Bland & Associates, P.C. will review the MD&A to ensure that it is consistent with the conclusions in the audit.
- Basic financial statements
 - Government-wide financial statements (GASB 34)
 - Statement of Net Assets
 - Statement of Activities
 - Fund financial statements
 - Balance Sheet - General Fund
 - Reconciliation of the general fund balance sheet to the statement of net assets
 - Statement of Revenues, expenditures, and changes in fund balance - general fund
 - Reconciliation of the Change in Fund Balance - General Fund to the Change in Net Assets of Governmental Activities
 - Statement of Net Assets - Proprietary Funds
 - Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds

SCOPE OF SERVICES (Continued)

- Statement of Cash Flow - Proprietary Funds
- Notes to Basic Financial Statements
- Supplemental Information
 - Statement of Revenues, Expenditures, and Changes in Fund Balance - Actual and Budget (Budgetary Basis) - General Fund
 - Statement of Revenues, Expenses, and Changes in Net Assets - Actual and Budget - Proprietary Funds
 - Statement of Functional Revenues, Expenditures, and Changes in Fund Balance - General Fund
 - Statement of Net Assets - Non-Major Proprietary Funds
 - Statement of Revenues, Expenses, and Changes in Net Assets - Non-Major Proprietary Funds
 - Schedule of Investments - General Fund
 - Schedule of Investments - Proprietary Funds
 - Schedule of Insurance Policies and Bonds
 - Schedule of Taxes Receivable - General Fund
 - Schedule of Cash Balances Held by County Treasurers
 - Information Required by Section 2-3223, N.R.S. - 1943
- Schedule of Expenditures of Federal Awards
 - Schedule of Expenditures of Federal Awards
 - Note to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report 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*
- 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
- Schedule of Findings and Questioned Costs (if applicable)
- Management Letter
- Data Collection Form

Following the appropriate review levels, including Bland & Associates, P.C. professional standards review (discussed earlier), and following a review of the draft report by District personnel, the report will be finalized and bound. As is our normal policy, a management letter will be issued, generally under separate cover but may be combined with the financial statements for reporting to the State of Nebraska Auditor of Public Accounts.

SCOPE OF SERVICES (Continued)

Exit Conference and Report Presentation (Shareholder, Manager, Senior)

Following finalization, we will conduct an exit conference with District representatives and review all deliverables. Our experience with exit conferences related to other government work has been that such conferences serve as a meaningful forum for comments and recommendations by **Bland & Associates, P.C.** related to the work performed. It also serves as an excellent forum to critique the immediately completed audit and serve as a springboard to future audits with the exchange of suggestions to improve efficiencies and minimize disruptions.

Conclusions and Other Considerations

To conclude, the financial audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The primary purpose of the audit is to express an opinion on the financial statements of the Papio-Missouri River Natural Resources District.

An audit is subject to the inherent risks that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist or if any other circumstances are encountered that require extended services, we will promptly advise District personnel of the circumstances. We will not extend our procedures unless they are authorized in the contractual agreement or in an amendment to the existing agreement. We clearly understand that this is a firm, fixed fee contract and such other services as may be requested are subject to fee arrangements at the time requested. We have included a summary of our standard government rates in the "Fees and Compensation" section of this proposal.

Bland & Associates, P.C. is pleased to report that it takes no exceptions to the requirements of the Papio-Missouri River Natural Resources District request for proposal and is prepared to make the commitment of time, expertise, and quality to again serve the District as their independent firm of certified public accountants.

In the development of this proposal to serve Papio-Missouri River Natural Resources District, representatives of **Bland & Associates, P.C.** have relied on previous experience auditing the District for the past 15 years and the efficiencies that were gained through this experience.

PROPOSED PROJECT SCHEDULE

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In the development of this proposal to serve Papio-Missouri River Natural Resources District, representatives of **Bland & Associates, P.C.** have relied on previous experience auditing the District for the past 15 years and the efficiencies that were gained through this experience.

Should **Bland & Associates, P.C.** be awarded the contract to serve as the District's independent certified public accountants, we would envision the following schedule to be used while performing the audit.

Discussions with Papio-Missouri River Natural Resources District management regarding the timing of the fiscal year audit.	May
Preliminary planning	May - June
Internal Control testing	May - June
Send third party confirmations	July 51
Complete planning for audit	July
Preliminary report draft	July 31
Fieldwork including compliance work under OMB Circular A-133 (if applicable)	August 1 - 15
Deliver draft report for review	September 25
Issue final report	Prior to October Board Meeting

FEES AND COMPENSATION

FEES AND COMPENSATION

FEES AND COMPENSATION

FEE PROPOSAL

ESTIMATE OF PROFESSIONAL FEES AND OUT-OF-POCKET EXPENSES

We have enclosed an estimate of audit hours, including a firm fixed fee estimate of our professional fees and out-of-pocket expenses. We estimate that our audit of the basic financial statements of Papio-Missouri River Natural Resources District will require approximately 370 hours. Included in this estimate are hours to be incurred by our shareholders and managers to assure that the professional services we provide to the District are of the highest quality. Critical audit areas must be evaluated to properly design the audit plan and develop efficient audit procedures to meet audit objectives.

Our shareholders and managers may function as the job supervisor from time-to-time to provide continuity in the audit process. Most importantly, they will be in the field to manage the engagement. This ensures that the District receives professional accounting and auditing service of the highest quality.

We have estimated total professional fees for the audit of the financial statements to be \$34,000, \$35,700, \$37,485, \$39,360, and \$41,325 for the years ended June 30, 2006, 2007, 2008, 2009, and 2010, respectively. We estimated these professional fees based on our experience auditing the District's financial statements for the past 15 years. Normally, we would also review the prospective District's system of internal control and accounting records prior to proposing professional fees. In this case, we relied on our previous experience to arrive at our firm fixed fee, although we do anticipated a continued evolution in the District's operations.

Professional fees are based on the amount of time we expect to perform the audit of the financial statements. We have made the assumption that the financial records will reconcile with opening balances contained in the June 30, 2005 audited financial statements and that the records will be complete and up to date when we arrive. Our estimates do not include amounts of time that may be required to reconstruct accounting transactions and reconcile accounts at June 30, 2006, 2007, 2008, 2009, and 2010.

Out-of-pocket costs include such items as report reproduction, typing, postage, copies, telephone, etc. These costs could be positively affected through the use of electronic data transfers as well as the coordination with and cooperation of the accounting personnel of the District. Our out-of-pocket expenses for the financial audits of the fiscal years ending June 30, 2006, 2007, 2008, 2009, and 2010 are estimated to be \$400 for each of the years.

Any additional tasks proposed by the District, including the reconciliation of accounting records or bank accounts or other consulting services not covered in our audit plan, would be proposed by us as a separate engagement with proposed fees in addition to those contemplated in the accompanying schedule.

FEES AND COMPENSATION (Continued)

Hourly Professional Rates

The following is a summary of the hourly rates charged by Bland & Associates, P.C. in providing professional accounting and auditing services.

PROFESSIONAL HOURLY RATES BY EXPERIENCE LEVEL

➤ Shareholders	\$175
➤ Manager	150
➤ Supervisor	110
➤ In-charge	90
➤ Junior Staff	64

SUMMARY OF PROPOSED FEES

Pursuant to your request, our fee estimates for the year ending June 30, 2006, 2007, 2008, 2009, and 2010 are:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Professional Fees	\$ 34,000	\$ 35,700	\$ 37,485	\$ 39,360	\$ 41,325
Out-of-pocket Expenses	400	400	400	400	400
Total Proposed	<u>\$ 34,400</u>	<u>\$ 36,100</u>	<u>\$ 37,885</u>	<u>\$ 39,760</u>	<u>\$ 41,725</u>

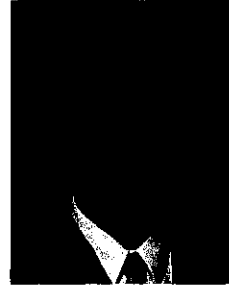
APPENDIX A
RESUMES

Jason L. Tonjes, CPA, CFE

Managing Shareholder

INDUSTRY EXPERIENCE:

- * Real estate management and development
- * Construction and manufacturing
- * Mortgage Lending
- * State and local governments, including OMB A-133 audit
- * Medicare Advantage/Medicare Adjusted Community Rate Proposals (ACRP)
 - o ACRP Desk Reviews
 - o Review of contractor's reports on ACRP examinations
 - o ACRP attestation examinations
- * Medicare reimbursement and cost reports, Part A and Part B
- * Indian Tribal entities, including OMB A-133 audits
- * Casinos and gaming
- * CFR 542 examinations
- * Not-for-profit organizations
- * Food and beverage
- * Transportation



TECHNICAL EXPERIENCE:

- * Financial audits, reviews, and compilations
- * Designing accounting systems in commercial and governmental environments
- * Cost Segregation
- * Attestation audits
- * Strategic Business Planning
- * Indirect cost proposals
- * Medicare risk contract reviews and audits
- * Taxation – corporate, partnership, and individual

WORK EXPERIENCE:

1996 to Present

Senior Manager – Bland & Associates, P.C. – Omaha, Nebraska

EDUCATION:

BSBA, Business Administration, Accounting, Midland Lutheran College, 1996

BA, Economics, Midland Lutheran College, 1996

Improving your Project Management Skills: The Basics for Success – American Management Association

Strategic Leadership Institute – University of Chicago Graduate of Business Executive Education

National Partnership, Estate, and Trust Taxation – American Institute of Certified Public Accountants

National Construction Conference 2002 & 2003 – American Institute of Certified Public Accountants

CERTIFICATIONS:

Certified Public Accountant – Nebraska, Kansas

Certified Fraud Examiner

ORGANIZATIONS:

Association of Governmental Accountants

American Institute of Certified Public Accountants

Nebraska Society of Certified Public Accountants

Construction Financial Management Association

Heartland Chapter of the Association of Certified Fraud Examiners

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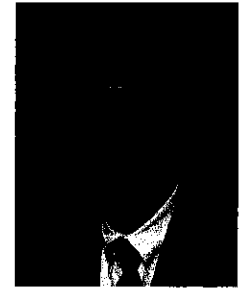


David C. Riley, CPA

Shareholder

INDUSTRY EXPERIENCE:

- * State and local governments, including OMB A-133 audits
- * Medicare Advantage/Medicare Adjusted Community Rate Proposals (ACRP)
- * Medicare reimbursement and cost reports, Part A and Part B
- * Indian Tribal entities, including OMB A-133 audits
- * Casinos and gaming
- * Real estate development and management
- * Food and beverage
- * Institutions for higher learning
- * Not-for-profit organizations
- * Construction and manufacturing
- * Wholesale, distribution, retail, and transportation



TECHNICAL EXPERIENCE:

- * Financial audits, reviews, and compilations
- * Attestation audits
- * Medicaid performance audits
- * Forensic and reconstructive accounting
- * Expert witness testimony
- * Litigation support
- * Fraud investigation
- * Taxation

WORK EXPERIENCE:

June 1994 to Present

Shareholder – Bland & Associates, P.C. – Omaha, Nebraska

1993 to 1994

Director of Administration/Controller – Food Services of America

1989 to 1993

Sole Proprietorship – D.C. Riley, CPA – Honolulu, Hawaii

1986 to 1989

President – Davis Curlett, Ltd – Honolulu, Hawaii

1968 to 1986

Partner/Manager/Senior/Staff – Grant Thornton, CPAs – Honolulu, Hawaii

EDUCATION:

BA, Accountancy, Washington State University, 1968

CERTIFICATIONS:

Certified Public Accountant – Nebraska, Hawaii, Kansas

ORGANIZATIONS:

Nebraska Society of Certified Public Accountants
American Institute of Certified Public Accountants
Forensic Accountant's Society of North America
Association of Certified Fraud Examiners

driley@blandcpa.com



Jerry M. Bland, CPA

Founding Shareholder

INDUSTRY EXPERIENCE:

- * State and local governments, including OMB A-133 audits
- * Medicare Advantage/Medicare Adjusted Community Rate Proposals (ACRP)
 - o Review of contractor's working papers for ACRP examinations
- * Medicare reimbursement and cost reports, Part A and Part B
- * Indian Tribal entities, including OMB A-133 audits
- * Casinos and gaming
- * HUD audits
- * Pension and profit-sharing plans; ERISA
- * Real estate and savings and loan – audit and taxation
- * Bankruptcy and financial reorganization
- * Wholesale, distribution, retail, and transportation
- * Construction and manufacturing



TECHNICAL EXPERIENCE:

- * Financial audits, reviews, and compilations
- * Attestation audits
- * Indirect cost proposals
- * Fraud investigation
- * Taxation
- * Medicare risk contract reviews and audits

WORK EXPERIENCE:

January 1979 to Present

Managing Shareholder – Bland & Associates, P.C. – Omaha, Nebraska

January 1976 to 1979

Sole Proprietorship – Jerry M. Bland, Certified Public Accountant – Omaha, Nebraska

1968 to 1975

Manager – Deloitte & Touche, L.L.C., CPAs (formerly Touche Ross & Co.) – Kansas City, Missouri

1965 to 1968

Senior – Ernst & Young (formerly Ernst & Whinney) – Kansas City, Missouri

EDUCATION:

MA, Accountancy, University of Missouri, 1965

BA, Political Science, University of Missouri, 1963

CERTIFICATIONS:

Certified Public Accountant:

Nebraska, Iowa, Kansas, Missouri, North Dakota, New Mexico, Oklahoma, South Dakota,
Florida, Montana

ORGANIZATIONS:

Nebraska Society of Certified Public Accountants

Institute of Management Accountants

Missouri Society of Certified Public Accountants

American Institute of Certified Public Accountants

jbland@blandcpa.com



Hilary Allen

Senior Accountant

INDUSTRY EXPERIENCE:

- * State and local governments, including OMB A-122 audits
- * Medicare Advantage/Medicare Adjusted Community Rate Proposals (ACRP)
 - o ACRP Desk Reviews
 - o Review of contractor's reports on ACRP examinations
 - o ACRP attestation examinations
- * Medicare Advantage/Retroactive Adjustments
- * Medicare Part A Cost Reports



TECHNICAL EXPERIENCE:

- * Taxation
- * Financial audits, reviews, and compilations
- * Attestation audits
- * Audits in accordance with Department of Housing and Urban Development

WORK EXPERIENCE:

July 2004 to Present

Senior Accountant – Bland & Associates, P.C. – Omaha, Nebraska

June 2001 to July 2004

Staff Accountant – Bland & Associates, P.C. – Omaha, Nebraska

EDUCATION:

BS, Business Administration, Midland Lutheran College, 2001

ORGANIZATIONS:

American Diabetes Association

[*hallen@blandcpa.com*](mailto:hallen@blandcpa.com)

BLAND
& associates
C P A s



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

To the Shareholders
BLAND & ASSOCIATES, P.C.
Omaha, Nebraska

We have reviewed the system of quality control for the accounting and auditing practice of Bland & Associates, P.C. (the firm) in effect for the year ended December 31, 2003. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The design of the system and compliance with it are the responsibility of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with the system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Bland & Associates, P.C. in effect for the year ended December 31, 2003, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards.

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Dallas, Texas
June 19, 2004

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BAKER TILLY
INTERNATIONAL



**WEAVER
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TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

To the Shareholders
BLAND & ASSOCIATES, P.C.
Omaha, Nebraska

We have reviewed the system of quality control for the accounting and auditing practice of Bland & Associates, P.C. (the firm) in effect for the year ended December 31, 2003, and have issued our report thereon dated June 19, 2004. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion.

Engagement Performance

Finding – The firm's quality control policies and procedures require the completion and review of a reporting checklist as a means to ensure the firm's reports contain the appropriate language. The checklists utilized by the firm, however, provide only general guidance and are not specific with respect to the requirements of professional standards. As a result, we noted several instances where the firm's reports did not include all of the language required by professional standards and/or the circumstances. None of the reporting language deficiencies were of such significance to require additional action by the firm on the reports issued. Rather, the firm intends to correct the deficiencies on the subsequent engagement with which we concur.

Recommendation – We recommend the firm develop or obtain a comprehensive reporting checklist and require its use on all engagements or provide additional staff training on the checklists currently utilized. Further, we recommend the firm reemphasize to its engagement reviewers the need to carefully review the checklist as well as the firm's reports prior to issuance.

Finding – The firm's quality control policies and procedures require consultation on the application of recently issued pronouncements and when unusual reporting circumstances are encountered, among other situations. During our review, we noted a few instances where the firm did not consult as required. As a result, (1) aspects of a new governmental reporting model were not appropriately applied on an applicable engagement and (2) the report language used in a couple of unusual reporting situations did not contain all of the elements required by professional standards. Because the subsequent engagement is imminent in the case of the governmental entity, and due to the passage of time in the other instances noted, the firm intends to correct the deficiencies noted on the subsequent engagements with which we concur.

Recommendation – We recommend the firm's consultation policies and procedures be reemphasized to all professionals as a part of the firm's continuing education program. Further, we recommend the engagement shareholder be required to specifically affirm that appropriate consultation took place in all required situations when reviewing engagement files.

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Dallas, Texas
June 19, 2004

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July 3, 2004

Nevada Society of Certified Public Accountants
5250 Neil Road, Suite 205
Reno, Nevada 89502

In re: Peer Review – Responses to Letter of Comments

Ladies and Gentlemen::

This letter represents our response to the letter of comments issued in connection with our firm's on-site peer review for the year ended December 31, 2003. The matters addressed herein were brought to the attention of the shareholders, managers, and supervisor of our firm during a meeting on Monday, June 21, 2004, and will be reviewed with our entire professional staff on June 7, 2004 in connection with a staff training program. We will also closely monitor the matters discussed below to ensure no recurrence.

Matters that did not result in a qualified report:

Finding: - Several instances were noted wherein the firm's reports did not include all of the language required by professional standards and / or the circumstances encountered due to the firm utilizing a general, versus a more specific, reporting checklist.

Response: - The firm employs Practitioners Publishing Company (PPC) Appendix 1b-1 as the primary reporting checklist completed on all audit engagements. The checklist provides general guidance references additional appendixes for more detailed issue discussion, examples, and additional checklists. The firm has immediately adopted a policy whereby all appendixes must be reviewed and included in the working papers and all additional checklists must be completed before any report is considered ready for issuance. Mandatory staff training on the use of these checklists and appendixes is scheduled for July 7, 2004.

Finding: - The firm's consultation policies and procedures did not encompass appropriate reference literature on the application of recently issued pronouncements and unusual reporting circumstances.

Response: - The firm has reviewed, updated, and reissued a memorandum to all professional staff regarding the firm's consultation policy and re-emphasized the process to all levels of review. Mandatory staff training on the consultation policy is scheduled for July 7, 2004.

Further, the firm's consultation standards have been re-emphasized to all audit department shareholders, managers, and supervisor. Utilizing Practitioner Publishing Company (PPC) reporting guidance checklist, all supporting appendixes, including referenced examples of reports and disclosures, will be included in the consultation section / reporting section of the working papers as evidence of the adherence to these guidelines.

The firm is also in the process of adding an additional step in the completion process whereby all reports, whether audit, review, or compilation or non-attestation engagements are subjected to an additional final

July 3, 2004
Nevada Society of Certified Public Accountants
Page 2 of 2

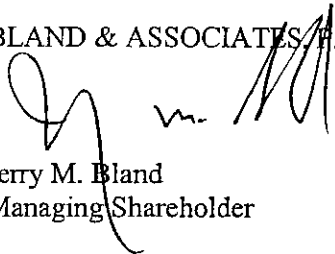
review by a shareholder of the firm to ensure that consultation including in the files support the final product and conformance with all firm and professional standards. This step is in addition to our existing 'professional standards review' process and all engagement reviewers have been informed of its implementation.

* * * * *

We believe our responses adequately address the matters identified during the on-site peer review and in the letter of comments and are responsive to the findings of the review.

Very truly yours,

BLAND & ASSOCIATES, P.C.



Jerry M. Bland
Managing Shareholder

cc: Weaver & Tidwell, LLP