Committee on Finance and the Northampton City Council

Councilor Gina-Louise Sciarra, Chair
Councilor Marianne L. LaBarge, Vice Chair
Councilor Michael J. Quinlan, Jr.
Councilor John Thorpe

Online Meeting via Teleconference

Meeting Date: April 16, 2020

Note: The Finance Committee Meeting will take place during the City Council Meeting as announced. The City Council Meeting is scheduled to begin at 7:05 pm.

1. **Meeting Called To Order**

2. **Roll Call**

3. **Approval Of Minutes From The Previous Meeting**

   A. **Minutes Of April 2, 2020**

      Documents:

      04-02-2020_finance committee minutes.pdf

4. **COVID-19 Financial Update**
   Presentation by Mayor Narkewicz
   - impacts on current FY2020 city budget
   - status of Capital Improvement Program
   - development of FY2021 budget with delayed implementation of March 3, 2020 Proposition 2 1/2 override

5. **Financial Orders**

   A. **20.041 An Order To Authorize Acceptance Of Easements From MassDOT For Damon Road Reconstruction**
      Process note: The Department of Public Works respectfully requests two readings to accommodate the state's construction schedule.

      Documents:

      20.041 an order to authorize acceptance of easements from massdot for damon road reconstruction.pdf
      20.041 detail of massdot easements.pdf
      20.041 grant of easement.pdf
      20.041 damon road alteration plan.pdf

   B. **20.042 An Order To Authorize Intermunicipal Agreement With Towns For Public Health Nursing Program**

Documents:

20.042 an order to authorize intermunicipal agreement with towns for public health nursing program.pdf

C. **20.043 An Order To Appropriate Free Cash To NPS For Federal Foster Care Transportation Reimbursement**

Documents:

20.043 an order to appropriate free cash to nps for federal foster care transportation reimbursement.pdf

D. **20.044 An Order To Authorize Intermunicipal Agreement With MEMA During COVID Emergency**

Documents:

20.044 an order to authorize intermunicipal agreement with mema during covid emergency.pdf

E. **20.046 An Order To Approve Gift Fund Expenditures For Resilience Hub**

Documents:

20.046 an order to approve gift fund expenditures for resilience hub.pdf

6. **New Business**

A. **FY2021 Independent Audit Procurement Process**

Documents:

fy2021audit.041420.doc
gfoa and dor recommendation.pdf
gfoa best practices.pdf
timeline for fy2021 audit rfp.docx
timeline for fy2021 audit rfp2.docx
audit contract fy2016-fy2018.pdf
city of northampton rfp.pdf

7. **Adjourn**

Contact: G-L Sciarra at glsciarra@northamptonma.gov
or 413-570-3133

Committee on Finance and the Northampton City Council

Councilor Gina-Louise Sciarra, Chair
Councilor Marianne LaBarge, Vice Chair
Councilor Michael J. Quinlan, Jr.
Councilor John Thorpe

On line Zoom Teleconference Meeting

Meeting Date: April 2, 2020

Note: The Finance Committee Meeting took place during the City Council Meeting as announced. The City Council Meeting began at 7 p.m.

1. **Meeting Called To Order:** At 7:48 p.m. Councilor Sciarra called the meeting to order.

2. **Roll Call:** Present were committee members Gina-Louise Sciarra (Chair), Marianne LaBarge (Vice-Chair), Michael J. Quinlan, Jr. and John Thorpe. Also present from the City Council were William H. Dwight, Alex Jarrett, Rachel Maiore and Jim Nash. Councilor Karen Foster was absent.

3. **Approval of Minutes From The Previous Meeting**
   A. Minutes of March 19, 2020
   Councilor LaBarge moved to approve the minutes of March 19, 2020. Councilor Thorpe seconded. The motion passed unanimously 4:0 by roll call vote.

4. **Financial Orders**
   A. **20.032 An Order to Establish Water and Sewer Rates for FY2021**
   Councilor Sciarra read the order.

   Councilor Thorpe moved to put the order on the floor for discussion. Councilor LaBarge seconded.

   She is very happy to hear from the Mayor that no increase is proposed for year FY2021, Councilor LaBarge commented. With this being such a critical time for many people in the city, she is supporting adoption of these rates, she confirmed. It's the right time to keep the rates as they are, she concluded.

   When this appeared on the agenda a few weeks ago, he had a phone call with Finance Director Susan Wright who generously spent a good deal of time with him getting into some of the details of the enterprise funds and their budgeting process, Councilor Quinlan related. He wished tonight as they were discussing the water rates that they had a status report of projects to be funded with stabilization funds.

   Councilor Sciarra noted that often when discussing rates, DPW Director Donna LaScaleia would join them to discuss the status of capital projects. During this moment of crisis, she didn't feel it was necessary to

have her come as she is working around the clock. If councilors have specific questions for the director, they could ask her to come to the next meeting, she offered.

They are continuing to move forward on the budget process and continue to have the same capital projects presented in the most recent capital program, Mayor Narkewicz advised. Administrators are working to bring forward both a budget and a capital program – both have been somewhat sidetracked by the current emergency. $15 million in waste water treatment plant (WWTP) upgrades that the council already gave authorization to seek lending authority for through the state's Clean Water Trust Fund are still pending, he confirmed. The city also still has major projects pending in water enterprise funds for work on city reservoirs and major transmission lines.

Staff will be bringing some of these projects forward. Rest assured that they continue to work on all of the projects that have been identified as long-term projects in the capital plan. A big part of what water rates and sewer rates support is existing debt service. A major portion of the debt service in the water enterprise fund is to pay for the water treatment plant while rates also support operational expenses of staff, equipment and materials. He will bring forward additional updates as part of the capital process.

Councilor Quinlan acknowledged the Mayor's affirmation that money for WWTP upgrades has been approved. He asked about the status of other projects. If he understands correctly, some of the water enterprise funds are going to construction projects on North King Street, King Street and Damon Road. He asked if those had been approved. He also asked the status of reconstruction work on North Farms Road.

Funding for North Farms Road was approved at the end of last year and the DPW is working on the engineering process for that project and hoping to get it bid, Mayor Narkewicz advised. They are having to adapt the bid process since it typically involves in-person meetings with contractors to review plans and bid specifications. The Damon Road projects are also moving ahead and all the engineering work for that is complete. As far as they know, the projects at the state level will still advance but they don't know if they will be delayed due to the construction environment.

WWTP engineering and construction work is advancing. They are getting close to the point where they will need to advance that project in a more significant way. The state has issued a 45-day delay in the deadline for accessing the 0% financing, he noted.

He hopes to have more updates on larger projects a little bit later in the springtime. City employees are continuing to work on them and advance them; the challenge becomes the actual physical construction portion of it, particularly the indoor construction required as part of the WWTP upgrades.

Councilor Quinlan moved to forward the order with a positive recommendation. Councilor Thorpe seconded. The motion passed unanimously with 4 Yes, 0 No by roll call vote.

B. **20.035 An Order to Accept a Donation of Land on Woodland Drive for Housing and Trail Uses**
Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Thorpe seconded.

Office of Planning and Sustainability Director Wayne Feiden apologized for a typo. Item #3 in the second 'whereas' clause should be Woodland Drive to Ladyslipper Lane, not Tiffany Lane, he clarified.

The subdivision was finished about 30 years ago. The developer sold all the other lots. He was left with this lot and decided he couldn't develop it. He stopped paying taxes and has offered it to the city. (Not a lot of taxes have accumulated.) It has the potential for development as affordable or market-rate housing. They are asking the City Council to accept the donation and then planners will do due diligence to make plans for the lot's development. Planners will conduct a community process for the use of the lots, he said.

Councilor LaBarge expressed support for the proposal, saying she thinks it is a great deal. They need affordable housing even in Ward 6. It is a nice area and she thinks they could eventually look at putting a trail going into Ladyslipper Lane.

Councilor Quinlan wondered the value of the property and taxes owed.

The lot is assessed at $95,000 and taxes owed are in the neighborhood of $5,000 or $6,000, Feiden said.

In last year's Capital Improvement Program (CIP), the City Council established a fund to buy land in tax title for the value of back taxes. What the city spends on the property to pay off the taxes comes back to the city. Part of the idea of saying one affordable housing and one market-rate home is that a market-rate unit could be self-supporting. Planners could come back to the council with a different proposal, he advised.

The back taxes are $5,330, Councilor LaBarge volunteered. Somebody could go in and buy that property and the city will lose out on two homes and affordable housing.

Councilor Jarrett applauded the idea of creating more affordable housing. He asked Mr. Feiden to define 'workforce' housing since the order says 'market-rate' or 'workforce.'

The reason the developer could not develop the property is that he would need to get a comprehensive permit to do so and this requires creation of affordable housing, Mr. Feiden explained. Affordable housing is defined as being affordable to a person earning 80% of the Area Median Income (AMI). He expressed his understanding that workforce housing for purposes of the Community Preservation Act is housing affordable to households with incomes up to 120% of the AMI; in other words, what most working class people can afford. Other than for CPA purposes he believes it is not a defined term. It basically means that most of their workforce would be able to afford it.

The idea of having a trail that cuts through is a great idea, Councilor Jarrett added. It would mean residents would not have to walk on Route 66 to get to two adjoining neighborhoods.

Mr. Feiden clarified that this property would only take them about 40% of the way through but leaves that option open for the future.

Councilor Thorpe moved to amend the order to change 'Tiffany Lane' to 'Ladyslipper Lane.' Councilor LaBarge seconded. The motion passed unanimously with 4 Yes, 0 No by roll call vote.

Councilor Sciarra called the main motion to a vote, and it passed unanimously 4 Yes, 0 No by roll call.

C. <u>20.036 An Order to Accept a Donation of Easement for Electric Power to NSH Memorial Park</u>
Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Thorpe seconded.

When MassDevelopment laid out Village Hill, it set aside land for a memorial park and built infrastructure and a sidewalk from Orlander Drive to serve the neighborhood, Mr. Feiden reminded. It wasn't anticipated at the time that there would be a need for electricity at the park, so no electric service was provided. To run electric service from the road would be very disruptive and very expensive. The Wrights have generously allowed them to run power through their property from a nearby transformer to the park. The city received a $950,000 Massworks grant primarily to extend infrastructure to a new affordable housing project at North Commons but included work to extend electric service to memorial park as part of its application. They opened bids and received good quotes for other work covered by the grant, leaving money available.

She is very happy that the city has accepted memorial park at the former state hospital, Councilor LaBarge affirmed. There is so much history there. She publicly thanked Jonathan and Margaret Wright.

The electric service is for an old fountain that was there when 'Old Main' was torn down, Feiden elaborated. The power will recirculate water to the fountain. The city doesn't have to operate it in bad economic times.

The motion passed unanimously 4 Yes, 0 No by roll call vote.

D. <u>20.038 An Order to Appropriate $3,000 in CPA Funds to Lathrop Communities for Invasive Species Removal</u>

Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Quinlan seconded.

Conservation/Preservation Planner Sarah LaValley presented. She came before the council earlier in the year to talk about some larger Community Preservation Act (CPA) applications. The two before them tonight are part of the small grant process. The Community Preservation Committee (CPC) established this a few years ago to try to spark some smaller projects. Lathrop Communities is a past recipient and has a 50-acre area on its north campus that is completely free of invasives. This may be the last application as progress has been made in removing invasive species from its east campus. Retirement community representatives are hopeful that they will be able to stop using a consultant after this and just continue with volunteer work.

Councilor LaBarge spoke in favor of the project.

Councilor Nash said he assumed the work is going to involve some application of round-up to address the invasive species.

Lathrop Community was very clear with the CPC that they are only using Rodeo which is a glyphosate product and are doing really targeted spraying, basically the minimum necessary to take care of these plants, Ms. LaValley related. They are doing as much as possible with mechanical means and volunteers.

Councilor LaBarge said she had concerns about the herbicides being used. She asked Ms. LaValley to repeat her response to how much they are using. Ms. LaValley reiterated that they're using the minimum amount necessary to be effective.

Councilor Jarrett drew members' attention to the final report of the Select Committee on Pesticide Reduction (SCPR), completed during the last council session. He read the following excerpt from the report:

"…SCPR concludes that it is important for Northampton to consider eliminating pesticide use. ***If deemed absolutely necessary, any pesticide should be applied with utmost care in a manner that provides maximum protection of the public."***

He asked if Ms. LaValley feels this application is meeting that standard. How will it provide maximum protection to the public? He asked.

Lathrop Community was clear with the CPC that they have had this debate internally as well (a lot of residents are not in favor of using pesticides) but ultimately did decide to put the application forward, Ms. LaValley responded. They are working with a licensed professional and using the absolute minimum necessary.

Councilor Jarrett asked what it would take to do this without pesticides.

Lathrop Communities has a very dedicated volunteer base but, based on their experience and the recommendations of professionals, they have found some of the plants do need a treatment of herbicides to be eradicated, Ms. LaValley said.

The meeting was interrupted by profanity from unidentified members of the public who joined via Zoom. Councilor Sciarra and other councilors offered profuse apologies.

Councilor Sciarra called the motion to a vote, and it passed unanimously 4 Yes, 0 No by roll call.

E. <u>20.039 An Order to Appropriate CPA Funds for Beaver Brook Greenway Invasive Plant Control Project</u>

Councilor Sciarra read the order.

Councilor Thorpe moved to forward the order with a positive recommendation. Councilor Quinlan seconded.

This project is building on the work of the Broad Brook Coalition and Leeds Civic Association to build trails and a bird blind on the Beaver Brook/Broad Brook parcel on Route 9, Ms. LaValley related. Now that the clean-up and trail-clearing work has been done, they realize the need for a little bit of follow-up work to brush hog to maintain the rare turtle habitat. They are proposing very limited glyphosate application to eradicate invasive species.

Councilor LaBarge asked questions and offered comments.

Brushhogging will encourage the turtles to continue to use this area, Ms. LaValley said. The brush-hogging is expected to continue for a few years.

Councilor Jarrett noted that, in the previous application, it seemed pretty clear that the application of herbicides was hoped to be limited to a year. He asked if this was similarly limited or whether the application would be ongoing.

If anything, it would be less ongoing, Ms. LaValley said. It is just for bittersweet and is all cut stump treatment.

The motion passed unanimously 4 Yes, 0 No by roll call vote.

F. **20.040 An Order to Approve Gift Fund Expenditures for Emergency COVID19 Expenses**
Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Thorpe seconded.

As councilors may have seen in recent communications, a number of people have asked for different ways to help support the emergency shelter at the high school, Mayor Narkewicz explained. Some have been able to volunteer, some have donated materials and others have asked if they could just contribute money. Administrators immediately put out a fund and set it up electronically on the city's website so that residents could make a donation to the fund through Unipay. The order essentially authorizes the expenditure of funds collected in the gift fund for COVID-19 expenditures.

Councilor LaBarge asked if Mayor Narkewicz would like two readings and he said, yes, if possible.

Mayor Narkewicz gave details for those wishing to make donations. Donors can either make a donation by check or make a donation on-line on the city website.

The motion passed unanimously 4 Yes, 0 No by roll call vote.

5. **New Business**
-Reserved for topics that the Chair did not reasonably anticipate would be discussed.
None.

6. **Adjourn:** There being no further business, Councilor Quinlan moved to adjourn. Councilor LaBarge seconded. The motion carried on a voice vote of 4 Yes, 0 No. The meeting adjourned at 8:49 p.m.

Contact: G-L Sciarra @glsciarra@northamptonma.gov or 413-570-3133

City of Northampton
MASSACHUSETTS

In City Council, April 16, 2020

Upon the recommendation of the Mayor and the Department of Public Works

20.041 An Order to Authorize Acceptance of Easements from MassDOT for Damon Road Reconstruction

Ordered, that

WHEREAS, Damon Road and Bridge Road are public ways in and for the city of Northampton; and,

WHEREAS, Damon Road and Bridge Road are in need of reconstruction, and the city, in conjunction with the Massachusetts Department of Transportation ("MassDOT"), is undertaking the reconstruction and widening of the ways, including drainage improvements and slope stabilization, from Bridge Street (Route 9) to the easterly section of Bridge Road west of King Street (Routes 5 and 10) ("the Project"); and,

WHEREAS, the reconstruction of Damon Road from Route 9 to Route 5 is currently programmed on the 2020 Pioneer Valley Region Transportation Improvement Program (TIP) at a total cost of $10,043,653, with $8,034,922 in federal transportation funds reserved to fund the project with the City of Northampton responsible for the costs of right-of-way acquisition and any water and sewer utility improvements; and

WHEREAS in order to proceed with the Project, the city needs to acquire i) permanent fee interests, ii) permanent easements, iii) permanent utility easements; and iv) temporary construction easements ("the Land Acquisitions"); and

WHEREAS, the Project and the Land Acquisitions are shown on a plan entitled "Alteration Plan of Damon Road and Bridge Road Prepared for the City of Northampton," ("Plan") dated February 28, 2019, and signed and sealed by Jeffrey P. Bradford, PLS, dated April 12, 2019; and

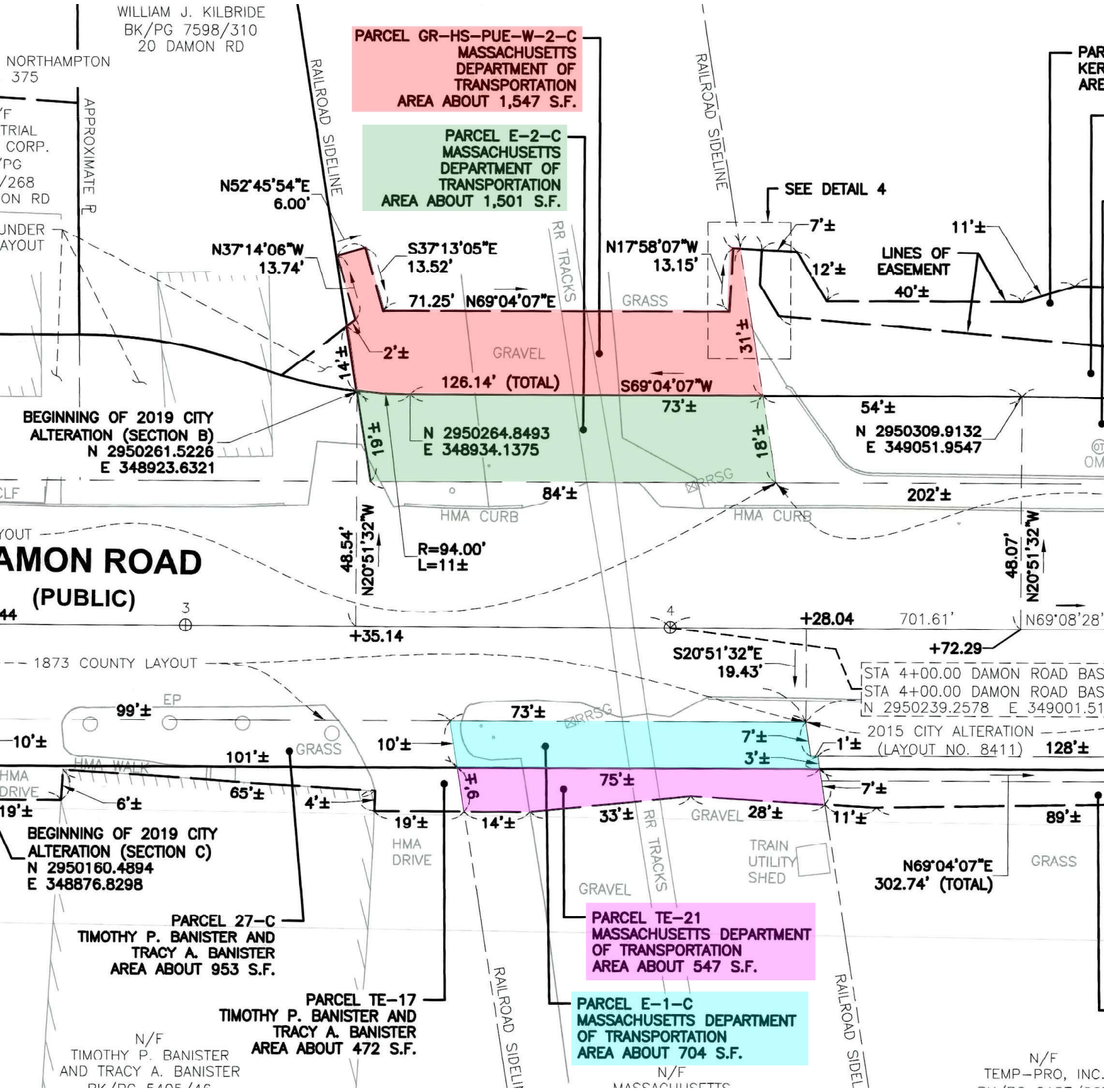
WHEREAS, on May 16, 2019, the Northampton City Council passed on second reading authorization to acquire all parcels needed to be acquired for the Project with the exception of the railroad land owned and controlled by the MassDOT, which the city cannot acquire absent agreement of MassDOT; and

WHEREAS, MassDOT has agreed to transfer an easement to the city for nominal consideration on the terms and conditions set forth in an instrument entitled “Easement Agreement;” and

WHEREAS, the City Council must approve the acquisition in order to accept the easement from MassDOT.

NOW, THEREFORE, BE IT ORDERED

That the City Council authorizes the acquisition by purchase, gift, eminent domain, or otherwise, of three (3) permanent easements and one (1) temporary construction easement for the purposes of widening and reconstructing Damon Road, as shown on the Plan and on the terms and conditions set forth in the proposed Easement Agreement. No appropriation is needed for this acquisition because the easement is to be conveyed for nominal consideration.


WILLIAM J. KILBRIDE
BK/PG 7598/310
20 DAMON RD
NORTHAMPTON
375
APPROXIMATE R
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MASSACHUSETTS
DEPARTMENT OF
TRANSPORTATION
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PARCEL E-2-C
MASSACHUSETTS
DEPARTMENT OF
TRANSPORTATION
AREA ABOUT 1,501 S.F.
SEE DETAIL 4
N52°45'54"E
6.00'
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LINES OF
EASEMENT
40'±
71.25' N69°04'07"E
RR TRACKS
GRASS
GRAVEL
2'±
14'±
31'±
126.14' (TOTAL)
S69°04'07"W
73'±
54'±
BEGINNING OF 2019 CITY
ALTERATION (SECTION B)
N 2950261.5226
E 348923.6321
N 2950264.8493
E 348934.1375
N 2950309.9132
E 349051.9547
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84'±
202'±
HMA CURB
48.54'
N20°51'32"W
R=94.00'
L=11±
48.07'
N20°51'32"W
AMON ROAD
(PUBLIC)
+35.14
+28.04
701.61'
N69°08'28"
+72.29
1873 COUNTY LAYOUT
S20°51'32"E
19.43'
STA 4+00.00 DAMON ROAD BAS
STA 4+00.00 DAMON ROAD BAS
N 2950239.2578 E 349001.51
2015 CITY ALTERATION
(LAYOUT NO. 8411)
128'±
99'±
EP
73'±
10'±
101'±
GRASS
7'±
3'±
1'±
HMA WALK
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DRIVE
65'±
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75'±
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28'±
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GRAVEL
TRAIN
UTILITY
SHED
N69°04'07"E
302.74' (TOTAL)
BEGINNING OF 2019 CITY
ALTERATION (SECTION C)
N 2950160.4894
E 348876.8298
PARCEL 27-C
TIMOTHY P. BANISTER AND
TRACY A. BANISTER
AREA ABOUT 953 S.F.
PARCEL TE-21
MASSACHUSETTS DEPARTMENT
OF TRANSPORTATION
AREA ABOUT 547 S.F.
PARCEL TE-17
TIMOTHY P. BANISTER AND
TRACY A. BANISTER
AREA ABOUT 472 S.F.
PARCEL E-1-C
MASSACHUSETTS DEPARTMENT
OF TRANSPORTATION
AREA ABOUT 704 S.F.
N/F
TIMOTHY P. BANISTER
AND TRACY A. BANISTER
N/F
TEMP-PRO, INC.

EASEMENT AGREEMENT

This Easement Agreement (this "Agreement") is made effective as of the ____ day of April, 2020 (the "Effective Date"), by and between the **Massachusetts Department of Transportation**, a body corporate and politic and a public instrumentality of the Commonwealth created and governed by Mass. Gen. Laws c. 6C, with a principal place of business at 10 Park Plaza, Boston, Massachusetts, 02116 ("Grantor") and the **City of Northampton**, Massachusetts, a body politic and corporate and a political subdivision of the Commonwealth of Massachusetts with a principal place of business at 210 Main Street, Northampton, MA (the "City" or the "Grantee").

WHEREAS, Grantor, by its Highway Division, under Project No. 608326, intends to make improvements to, repair, and reconstruct the roadway and related facilities known as Damon Road, a public way in the City of Northampton, on behalf of the said City ("the Project"); and

WHEREAS, Grantor acquired title to the Connecticut River Main Line (the "Line") in a deed from Pan Am Southern, LLC dated May 21, 2015, and recorded on May 22, 2015, in the Hampshire District Registry of Deeds ("Registry") in Book 11945, Page 59 ("Grantor's Property"); and

WHEREAS, the Project includes portions of Grantor's Property located between approximately Railroad Valuation Station 960+85 and Station 961+85, as shown on a certain plan entitled "Right of Way and Track Map, Connecticut River R. R. Co., Operated by the Boston and Maine Railroad, Station 909+40 to Station 962+20", and numbered Valuation Series V42.1M, Plan 19 (the "Railroad Plan"); and

WHEREAS, Grantor desires to grant to the City certain permanent and temporary rights in Grantor's Property for the Project on the terms and conditions set forth in this Agreement.

NOW THEREFORE, for consideration of Ten Dollars and No/100 ($ 10.00) paid to Grantor by Grantee (hereafter defined), and for other valuable consideration, including the covenants set forth herein, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Grant of Easements.

Grantor hereby grants, and Grantee accepts:

a) perpetual right and easement for all purposes for which public ways are used in the City of Northampton, including therewith the rights to install, construct, inspect, operate, maintain, repair, and replace the sidewalks and roadway serving as the public way and traffic signals and other related roadway facilities, in, on, and under the areas labelled as "E-1-C" containing 704 SF ± and "E-2-C" containing 1,501 SF ±; on the plan entitled "Alteration Plan of Damon Road and Bridge Road Prepared for the City of Northampton, Hampshire County" dated February 28, 2019, prepared by Greenman-Pedersen, Inc., and recorded on July 9, 2019 in the Hampshire County Registry of Deeds in Plan Book 245, Page 1, and as described in Exhibit A hereto.

b) a perpetual right and easement to install, construct, inspect, operate, maintain, repair, and replace guard rails, highway signs, utilities and wall(s), in, on, and under the area labelled on the Plan as "GR-HS-PUE-W-2-C" containing 1,547 SF ±, as described in Exhibit A hereto; and

c) a temporary right and easement for the purposes of constructing the improvements to Damon Road, including grading, general construction staging, laying of loam and seed, and any all other necessary ancillary purposes in connection with the Project in the area labelled as "TE-21" on the Plan, consisting of 547 SF ±, and as described in Exhibit A hereto.

The foregoing Temporary Easement shall automatically expire five (5) years from the date of recording of this Agreement without further action of either party necessary to effectuate termination, provided, however, that the aforesaid term may be extended with the consent of the Grantor, but only upon modification hereof signed by the Grantor and duly recorded with the Hampshire District Registry of Deeds.

2. Use. Grantee shall only use the Easement Areas for the purposes set forth herein. Grantee shall not cause or permit any trespass by Grantee or its employees, agents, or contractors (collectively, "Grantee's Agents") on parts of the Connecticut River Main Line outside the Easement Areas. Grantee shall neither store Hazardous Materials (as defined below) nor permit nuisances or encroachments to occur on the Easement Areas or on the Connecticut River Main Line and shall not build any temporary or permanent structure or store anything in the Easement Areas.

3. Grantee Acknowledgements. Grantee acknowledges that (i) the Easement Areas are part of an active railroad corridor operated and maintained by Pan Am Southern, LLC ("PAS" or "Designated Railroad"), pursuant to a certain retained rail freight easement and a certain operating agreement by and between Grantor and the Designated Railroad dated May 21, 2015 ("2015 Operating Agreement"); (ii) the National Railroad Passenger Corporation (hereinafter "Amtrak") operates intercity passenger rail service over the Line, pursuant to a Host Railroad Agreement dated May 1, 2012 and all supplements and amendments thereto (hereinafter the "Amtrak Agreement"); (iii) Springfield Terminal Railway Company, Inc. ("STR") provides rail freight services as a subsidiary of Pan Am Railways, Inc.; (iv) Grantor may in the future enter into licenses, leases, operating agreements, or other agreements with other railroads and/or rail service operators (collectively with PAS, Amtrak and STR, "Railroads") to operate passenger, freight, or related rail services on the Connecticut River Main Line; (v) as an active railroad corridor there may be negative impacts directly or indirectly caused by the transportation activities and future operations of Grantor and/or the Railroads, including, without limitation, noise, odor, vibrations, electromagnetic fields, particles, pollution, and fumes (collectively, "Negative Impacts"), which may also have an impact on the Easement Areas; and (vi) Grantor makes no representations as to the condition, title, or any other matter related to the Easement or the Easement Areas.

4. Maintenance and Repairs of the Easement Areas.

a) The rights granted hereunder are subject to Grantee's continuing obligation to maintain and repair the Easement Areas, in good and safe repair, and to preserve the safe and proper use of the Easement Areas, at its cost and expense, in accordance with the standards and requirements described herein ("Grantee's Work"). Maintenance shall include, without limitation, maintaining the pavement and other elements of the road, sidewalks and related facilities; removal of ice and snow from the Easement Areas; removal of debris from the Easement Areas; and removal of vegetation in the Easement Areas. From time to time, Grantor, the Railroads, Mass. Department of Public Utilities, Federal Rail Administration, or other regulatory bodies with jurisdiction may require that Grantee, at its cost and expense, undertake repairs and maintenance to achieve the foregoing standards and requirements. In no event shall Grantee or Grantee's Agents direct water, snow, ice or debris toward or onto the Grantor's remaining property, including the adjacent railroad right-of-way; Grantee shall be solely responsible for ensuring proper drainage within and along the Easement Areas, and for immediately addressing any damage or operational impacts caused by the transfer of water, snow, ice or debris onto Grantor's remaining property. Such maintenance and repair must also be accomplished in accordance with Grantor's and the Railroads' conditions, including terms and conditions for access to work; work plans that Grantee must provide at least thirty (30) days in advance of the proposed work start date describing the proposed work and materials to be used; evidence of such insurance as Grantor and the Railroads may require; safety plans; a timeline for the proposed work; a plan to hire the appropriate flagmen and others that may be needed to complete the work; and copies of all permits for the work, all satisfactory to Grantor and the Railroads, and to not unreasonably interfere with the proper and safe use of the Easement Areas by Grantor or the Railroads, and any other parties that Grantor allows to operate on and over the Easement Areas, and their respective successors and assigns. Any underground work shall also be subject to confirmation by Grantee with Dig Safe and any utility companies with facilities under the Easement Areas. Grantor and the Railroads shall have the right to inspect the Easement Areas at any time provided the inspections do not interfere with Grantee's use of the Easement Areas except in an emergency.

b) Grantee shall indemnify and hold harmless Grantor and the Railroads against all fines, damages, costs, expenses, and other penalties for Grantee's failure to perform required repairs or maintenance or for violations of work plans or conditions caused by the acts or omissions of Grantee or any of Grantee's agents.

c) If Grantee fails to perform any of the foregoing repairs or maintenance or capital improvements or other actions necessary in the Easement Areas, Grantor or the Railroads may undertake such work, and Grantee shall reimburse Grantor or the Railroads, as the case may be, for all costs and expenses incurred for such work.

d) Notwithstanding anything to the contrary contained herein, Grantee shall not be responsible for maintaining the rail tracks or other railroad-related facilities in the Easement Areas but shall be responsible for the costs of any damage it causes to such tracks or facilities.

5. Termination of Easement for Transportation Purposes. Grantor's enabling statute requires that its assets be available for transportation uses; therefore, if all or part of the Easement Areas are needed solely for transportation purposes, Grantor may terminate the Easement with regard to one or all of the Easement Areas. Any termination and/or relocation shall require six (6) months' advance written notice to Grantee. A termination shall be effective upon Grantor's recording of a notice of termination with the Registry. Such termination shall not constitute a taking or eminent domain action by Grantor. Grantor shall not be responsible or liable for any direct, indirect, or consequential damages incurred by Grantee.

6. Subordination to Grantor and Railroads Operating Requirements. The Easements are subject and subordinate at all times to the requirements of Grantor and the Railroads that may be in effect from time to time to maintain public safety and Grantor's and the Railroads' operation of their transportation systems. Grantee's use of the Easement Areas shall not obstruct, delay or prevent Grantor's or the Railroads' operation of their transportation services and if it does, then such occupation, work, use or activity permitted must be stopped or delayed at the request of Grantor or the Railroads, which shall not constitute a temporary taking or eminent domain action. Neither Grantor nor the Railroads shall be responsible or liable for any direct, indirect, or consequential costs or damages incurred by Grantee as a result of any such interruption or delay or for any compensation to or relocation costs for Grantee.

7. Compliance with Laws. Grantee shall comply with all laws, rules, orders, regulations, and ordinances applicable to its use of the Easement Areas at its cost and expense. Grantee shall also be responsible, at its cost and expense, for obtaining and complying with any permits or approvals necessary to carry out its permitted activities hereunder.

8. Costs; Taxes. Grantee shall be responsible for the costs of Grantee's work in the Easement Areas and any required relocation of utilities due thereto and any taxes assessed against the Easement or the Easement Areas due to Grantee's use.

9. Indemnification and Release. Grantee shall indemnify and defend (at the option of Grantor), and save Grantor and the Railroads harmless from and against any liabilities, losses, damages, costs, expenses (including reasonable attorneys' or other professionals' expenses and fees), causes of action, claims, demands or judgments of any nature, including, without limitation, any related to any "environmental condition" or to "oil" and "hazardous materials" (as those terms are defined in federal or state environmental laws, collectively, "Hazardous Materials"), that may be imposed upon or incurred by or asserted against Grantor or the Railroads, as a result of any of the following:

a) the exercise by Grantee or those claiming by, through or under Grantee of any rights or privileges hereunder;

b) the use of the Easement Areas by Grantee or any of Grantee's Agents, including due to their use of the Easement Areas prior to the date hereof;

c) the presence, discovery or revealing of any environmental condition including Hazardous Materials on the Easement Areas or other adjacent property of Grantor, which presence, discovery or revealing is a result of Grantee's or any of the Grantee's Agents' activities hereunder;

d) the placement of or accidental release of any Hazardous Materials on, at, under, over, or associated with the Easement Areas (or other adjacent property of Grantor) by Grantee or any of Grantee's Agents, including without limitation contamination of the Easement Areas or other adjacent property of Grantor caused by any material of any nature flowing from the Easement Areas;

e) any failure of Grantee or any of Grantee's Agents to perform or comply with any of the terms hereof.

Further, such indemnification includes the obligation of Grantee to perform, at Grantee's cost and expense and in accordance with any applicable laws, any required environmental response action within the Easement Areas or surrounding areas to the extent that such response action is required due to Grantee's use of the Easement Areas.

Grantee assumes all the risk of entry onto and use of the Easement Areas and hereby releases Grantor and the Railroads from any responsibility for any Grantee losses or damages related to the condition of the Easement Areas prior to the execution of this Easement Agreement. Grantee further covenants and agrees to not assert or bring, nor cause any third-party to assert or bring, any claim, demand, lawsuit or cause of action of any manner against Grantor or the Railroads relating to or arising from the condition of the Easement Areas prior to the execution hereof, Grantee's or any of Grantee's Agents' use of the Easement Areas, or any Negative Impacts.

The release and covenants of defense and indemnification for the benefit of Grantor shall not apply to the extent the "claim" arose because of Grantor's grossly negligent acts or omissions or willful misconduct.

The release and covenants of defense and indemnification for the benefit of the Railroads shall not apply to a Railroad to the extent the "claim" arose because of that Railroad's grossly negligent acts or omissions or willful misconduct.

The provisions of this Section shall survive the termination of this Easement.

10. Event of Default. If Grantee fails to comply with any term or condition herein (an "Event of Default"), Grantor may terminate this Easement after written notice from Grantor to Grantee of such Event of Default provided that Grantee shall have thirty (30) days from receipt of such notice to cure such Event of Default, except that if the Event of Default cannot with due diligence be cured within such thirty (30) day period, then so long as Grantee proceeds with due diligence to cure the same, the time within which Grantee must cure the same shall be extended for another thirty (30) days; provided, however, if the Event of Default threatens public safety or the ability of Grantor or a Railroad to operate its transportation system, then it shall be considered an emergency default and if Grantee does not affect an immediate cure, Grantor may use self-help

at the expense of Grantee and Grantee shall also pay an administrative fee equal to ten percent (10%) of such expenses.

11. Insurance. Grantee (and its contractors and their subcontractors performing work in either Easement Area) shall maintain the following insurance and provide Grantor with certificates of insurance and shall renew and replace any expired certificate, evidencing the insurance required hereunder, on which Grantor and the Railroads shall be listed as additional insureds as their interests may appear and which provide coverage as follows:

a) Commercial General Liability Insurance. Commercial General Liability Insurance for bodily injury and property damage, on an occurrence form, no less broad than ISO Form CG 2010 10 01. Coverage must include premises/operation and contractual liability subject to a minimum limit of One Million Dollars and 00/100 ($1,000,000.00) per occurrence and Three Million Dollars and 00/100 ($3,000,000.00) annual aggregate.

b) Workers' Compensation and Employers Liability Insurance. Workers' Compensation and Employers Liability Insurance including (i) workers' compensation insurance providing statutory coverage as required by the Commonwealth of Massachusetts and (ii) Employers Liability Insurance coverage with minimum limits of not less than Five Hundred Thousand Dollars and 00/100 ($500,000.00) per accident.

c) Umbrella Liability Insurance. Umbrella Liability Insurance providing excess coverage over the primary general liability and employers liability coverages. Such coverage shall be written on an occurrence basis and be no less broad than the underlying coverages. The policy shall be subject to a minimum limit of Two Million Dollars and 00/100 ($2,000,000.00) per occurrence and in the aggregate.

d) Automobile Liability Insurance. Automobile liability insurance with minimum limits of not less than One Million Dollars and 00/100 ($1,000,000.00) covering all owned, non-owned, hired, or leased vehicles of Grantee used in the Easement Areas.

e) Railroad Protective Insurance. Whenever any of Grantee's Agents are doing work beyond routine maintenance in or around the Easement Areas, such Grantee's Agent must obtain Railroad Protective Insurance with limits of not less than Five Million Dollars ($5,000,000) per occurrence covering bodily injury to or death of one person and injury to or destruction of property of any one person, and Ten Million Dollars ($10,000,000) in aggregate for all damages arising out of bodily injury to or death of two or more persons in any one accident, and for all damages arising out of injury to or destruction of property. Grantor and the Railroads shall be named insureds on the railroad protective liability insurance policy**.**

The required insurance coverages shall be placed with companies licensed to write such insurance in the Commonwealth of Massachusetts and having a "Best's Insurance Reports" rating of A- VII or better, shall be kept in full force and effect at all times, shall be primary to and non-contributory to any insurance or self-insurance maintained by Grantor, and shall require that Grantor be given at least thirty (30) days advance written notice in the event of any cancellation or material adverse change in coverage. Grantor and the Railroads shall be named as additional insureds under the Commercial General Liability and Umbrella Insurance Policies. Waiver of

Subrogation in favor of Grantor and the Railroads must be included in all coverages listed above. Throughout the term of the Easement, Grantor shall be provided with the foregoing certificates of insurance. Grantee shall be responsible for any deviations or omissions in compliance with these requirements by any of its contractors. The foregoing insurance requirements are minimum limits and coverages and shall not be construed to limit the liability of Grantee or Grantee's insurers.

12. Existing Title Encumbrances. The Easement is subject to existing rights, restrictions, and easements of record; any state of facts a personal inspection or accurate survey would disclose; any existing leases, licenses, and agreements relating to the Easement Areas.

13. Assignment or Transfer. This Easement is appurtenant to the public way known as Damon Road and may not be assigned.

14. Bind and Inure. The obligations and benefits hereunder run with the land and are binding upon and inure to the benefit of the respective parties, their successors and assigns.

15. Waiver. A consent or waiver by Grantor to Grantee's breach of any covenant, condition, or obligation hereunder shall not be construed as a consent or waiver to a future breach of the same covenant, condition, or obligation or to a breach of any other covenant, condition, or obligation hereunder.

16. Severability. The invalidity of any provision or other part of this instrument shall not impair or affect the validity or enforceability of this instrument.

17. Notices. Any notices given hereunder shall be in writing and deemed to have been properly given if hand delivered or mailed by certified mail, return receipt requested, or by recognized overnight courier with postage prepaid. Notices shall be deemed given when delivered by messenger or overnight courier service on the date of the delivery or refusal of delivery or three days after deposited in certified United States mail, postage prepaid, return receipt requested.

If to Grantor: Massachusetts Department of Transportation
Ten Park Plaza, Room 4160
Boston, MA 02116-3969
Attention: Director of Railroad Properties
Rail and Transit Division

Copy to: Massachusetts Department of Transportation
Ten Park Plaza, Room 3510
Boston, MA 02116-3969
Attention: General Counsel

Massachusetts Department of Transportation
Ten Park Plaza, Room 4160
Boston, MA 02116-3969
Attention: Project Manager, Rail

If to Grantee: City of Northampton
City Hall
210 Main Street
Northampton, MA 01060
Attention: Mayor_____

Copy to: City of Northampton_____
City Hall_____
210 Main Street_____
Northampton, MA 01060
Attention: City Solicitor____

18. Acceptance. The Grantee's Acceptance of this Grant of Easements and Easement Agreement is attached hereto and recorded herewith.

19. Governing Law. This instrument shall have the effect of a sealed instrument and shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

(Signature Pages to Follow)

IN WITNESS WHEREOF, Grantor and Grantee have hereunto set their hand and seal this _____day of April, 2020.

Grantor:

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

By: _____
Name:
Title:

Commonwealth of Massachusetts

Suffolk County, ss. Boston

On the _____ day of _____, 2020, before me, the undersigned notary public, personally appeared _____, _____ of the Massachusetts Department of Transportation, proved to me through satisfactory evidence of identification, which was my personal knowledge, to be the person whose name is signed on the preceding document, and acknowledged to me that she signed it voluntarily for its stated purpose as _____ of the Massachusetts Department of Transportation.

_____
Notary Public

_____
Print Name
My commission expires: _____

ACCEPTANCE OF EASEMENT

The Grantee, duly authorized by a vote of the Northampton City Council taken _____, 2020, hereby accepts the foregoing Grant of Easement and Easement Agreement from the Massachusetts Department of Transportation on this _____ day of _____, 2020, and by acceptance hereof agrees that it is bound by the terms and provisions hereof.

Grantee:

City of Northampton, Massachusetts

By: _____
Name: David J. Narkewicz
Title: Mayor

COMMONWEALTH OF MASSACHUSETTS

Hampshire County, ss.

On the ___ day of _____, 2020, before me, the undersigned notary public, personally appeared, David J. Narkewicz, Mayor of the City of Northampton, Massachusetts, proved to me through satisfactory evidence of identification, which was _____, to be the person whose name is signed on the preceding document, and acknowledged to me that he signed it voluntarily for its stated purpose as Mayor of the City of Northampton, Massachusetts.

_____
Notary Public

_____
Print Name
My Commission expires: _____

Exhibit A

Northampton, Damon Road
MassDOT Project No. 608236

The parcels below are shown on a plan entitled, "Alteration Plan of Damon Road and Bridge Road Prepared for the City of Northampton, Hampshire County" dated February 28, 2019, prepared by Greenman-Pedersen, Inc., and recorded on July 9, 2019 in the Hampshire County Registry of Deeds in Plan Book 245, Page 1.

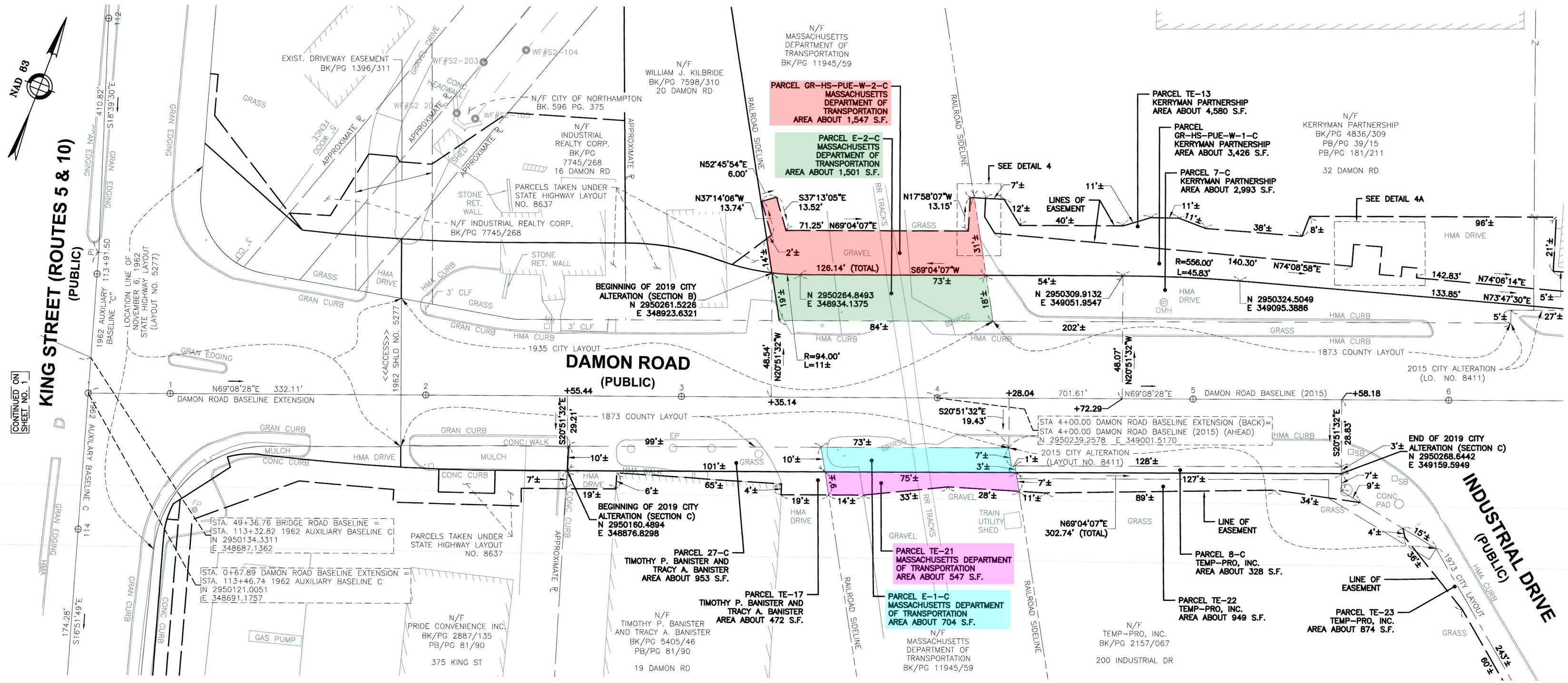
PARCEL E-1-C: A parcel of land supposed to be owned by Massachusetts Department of Transportation, adjoining the southerly location lines of the 1873 County layout and the 2015 City Alteration (LO. No. 8411) of Damon Road, and bounded by the line described as follows: Beginning at a point on the southerly location line of the 1873 County layout and the 2015 City Alteration (LO. No. 8411) of Damon Road, said point bearing S 20°51'32" E and being 19.43 feet distant from station 4+28.04 of the 2015 Damon Road baseline and extends thence, following said location line of the 1873 County layout southwesterly about 73 feet to a point on the property line dividing land of Massachusetts Department of Transportation and land of Timothy P. Banister and Tracy A. Banister: thence, leaving said location line and following said property line southeasterly about 10 feet; thence leaving said property line N 69°04'07" E about 75 feet to a point on the property line dividing land of Massachusetts Department of Transportation and land of Temp-Pro, Inc.; thence following said property line northwesterly about 3 feet to a point on the location line of the 2015 City Alteration (LO. No. 8411) of Damon Road; thence leaving said property line and following said location line southwesterly about 1 foot, and northwesterly about 7 feet to the point of beginning; containing about 704 square feet.

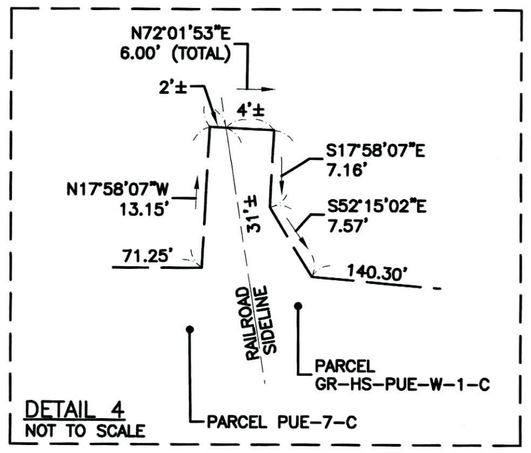
PARCEL E-2-C: A parcel of land supposed to be owned by Massachusetts Department of Transportation, adjoining the northerly location line of the 1935 City layout of Damon Road, and bounded by the line described as follows: Beginning at a point on the property line dividing land of Massachusetts Department of Transportation and land of William J. Kilbride, said point bearing N 20°51'32" W and being 48.54 feet distant from station 3+35.14 of the Damon Road baseline extension and extends thence, following said property line southeasterly about 19 feet to a point on the northerly location line of the 1935 City layout of Damon Road; thence leaving said property line and following said location line northeasterly about 84 feet to a point on the property line dividing land of Massachusetts Department of Transportation and land of Kerryman Partnership; thence leaving said location line and following said property line northwesterly about 18 feet; thence leaving said property line S 69°04'07" W about 73 feet; thence southwesterly by a curve to the right of radius 94.00 feet about 11 feet to the point of beginning; containing about 1,501 square feet.

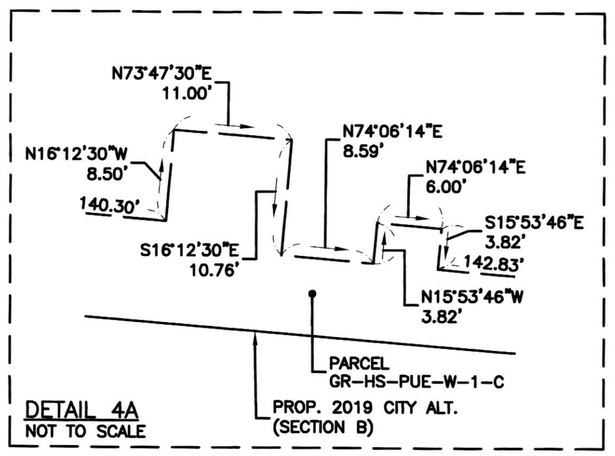
PARCEL GR-HS-PUE-W-2-C: A parcel of land supposed to be owned by Massachusetts Department of Transportation, adjoining the location line of the 2019 City Alteration (Section B) of Damon Road, and bounded by the line described as follows: Beginning at a point on said location line of the 2019 City Alteration (Section B) of Damon Road and on the property line

dividing land of Massachusetts Department of Transportation and land of William J. Kilbride, said point bearing N 20°51'32" W and being 48.54 feet distant from station 3+35.14 of Damon Road Baseline Extension, and extends thence, leaving said location line and following said property line northwesterly about 14 feet; thence leaving the said property line N32°17'23"E about 2 feet; thence N37°14'06"W 13.74 feet; thence N52°45'54"E 6.00 feet; thence S37°13'05"E 13.52 feet; thence N69°04'07"E 71.25 feet; thence N17°58'07"W 13.15 feet; thence N72°01'53"E about 2 feet to a point on the property line dividing land of Massachusetts Department of Transportation and land of Kerryman Partnership; thence following said property line southeasterly about 31 feet to a point again on the location line of the 2019 City Alteration (Section B) of Damon Road; thence leaving said property line and following said location line S69°04'07"W about 73 feet; thence by a curve to the right of radius 94.00 feet about 11 feet to the point of beginning; containing about 1,547 square feet.

PARCEL TE-21: A parcel of land supposed to be owned by Massachusetts Department of Transportation, adjoining the location line of Section C of the 2019 City Alteration of Damon Road, and bounded by the line described as follows: Beginning at a point on the location line of Section C of the 2019 City Alteration of Damon Road, said point being on the property line dividing land of Massachusetts Department of Transportation and land of Timothy P. Banister and Tracy A. Banister: thence, leaving said location line and following said property line southeasterly about 9 feet; thence leaving said property line northeasterly about 14 feet, about 33 feet, and about 28 feet to a point on the property line dividing land of Massachusetts Department of Transportation and land of Temp-Pro, Inc.; thence following said property line northwesterly about 7 feet to a point again on the said location line; thence leaving said property line and following said location line S 69°04'07" W about 75 feet to the point of beginning; containing about 547 square feet.







0 20 50 100

SCALE: 1" = 20'

PLAN PREPARED BY:

GREENMAN-PEDERSEN, INC.
181 BALLARDVALE STREET, SUITE 202
WILMINGTON, MASSACHUSETTS 01887
(978) 570-2999 WWW.GPINET.COM

I CERTIFY THAT THIS PLAN HAS BEEN PREPARED IN CONFORMITY WITH THE RULES AND REGULATIONS OF THE REGISTERS OF DEEDS OF THE COMMONWEALTH OF MASSACHUSETTS.

COMMONWEALTH OF MASSACHUSETTS
JEFFREY P. BRADFORD
NO. 41862
PROFESSIONAL LAND SURVEYOR

4/12/2019
DATE

JEFFREY P. BRADFORD, PLS #41862

NORTHAMPTON_CITY_ALTERATION 8637.DWG Plotted on 11-Apr-2019 5:13 PM

City of Northampton

MASSACHUSETTS

In City Council April 16, 2020

Upon recommendation of the Mayor

20.042 An Order to Authorize Intermunicipal Agreement with Towns for Public Health Nursing Program

Ordered, that

Whereas MGL C.40 s. 4A allows for joint operation of public activities among governmental units, and

Whereas, MGL c. 40, s. 4A requires that such inter-governmental agreements be approved, in a city, by the City Council and the Mayor, and;

Whereas the City of Northampton provides services to and shares services with other municipalities;

Therefore pursuant to MGL C. 40 s. 4A the City Council hereby authorizes the City of Northampton to enter into the following inter-municipal agreement for FY2020 and FY2021:

> **Public Health Nursing Program** - Contract to partner with the following communities to provide assistance with infectious disease surveillance reporting thru the Massachusetts Virtual Epidemiologic Network (MAVEN) for the COVID-19 crisis: Middlefield, Chesterfield, Huntington, Plainfield, Worthington, Easthampton, East Longmeadow, and the Foothills Health District, which serves the towns of Whately, Westhampton, Williamsburg and Goshen.

City of Northampton

MASSACHUSETTS

In City Council April 16, 2020

Upon recommendation of the Mayor

20.043 An Order to Appropriate Free Cash to NPS for Federal Foster Care Transportation Reimbursement

Ordered, that

$ 4248 be appropriated from the FY20 General Fund Undesignated Fund Balance to Northampton Public Schools for Federal Foster Care Transportation Reimbursement (W033000-533002).

CITY OF NORTHAMPTON

MASSACHUSETTS

In City Council, April 16, 2020

Upon the recommendation of the Mayor

20.044 An Order to Authorize Intermunicipal Agreement with MEMA During COVID Emergency

WHEREAS, a sudden, generally unexpected occurrence of circumstances demanding public action has arisen within the world, country, state and City of Northampton due to the coronavirus/COVID-19 pandemic and other illnesses ("the pandemic"); and

WHEREAS, the President of the United States has declared a national emergency due to the pandemic; and

WHEREAS, on March 10, 2020, the Governor of the Commonwealth of Massachusetts declared a State of Emergency in the Commonwealth of Massachusetts due to the pandemic; and

WHEREAS, on March 16, 2020, the Mayor of the City of Northampton declared a State of Emergency in the City of Northampton due to the pandemic; and

WHEREAS, on March 20, 2020, the Northampton Board of Health declared a State of Emergency in the City of Northampton due to the pandemic; and

WHEREAS, in response to the pandemic, the Commonwealth, through the Massachusetts Emergency Management Agency, has contracted for isolation and quarantine housing at the Quality Inn and Suites, 117 Conz Street, Northampton; and

WHEREAS, the City has agreed to provide support to this site through the Northampton Police Department, and the Commonwealth has agreed to reimburse the City for certain expenses associated with that police support; and

WHEREAS, the Commonwealth proposes to memorialize the agreement in a Memorandum of Agreement entitled, MEMORANDUM OF UNDERSTANDING BETWEEN THE COMMONWEALTH OF MASSACHUSETTS AND THE CITY OF NORTHAMPTON, dated April , 2020; and

WHEREAS, in accordance with Mass. Gen. Laws 40, § 4A, the approval of the City Council is required in order for the City to enter into an agreement to perform joint services with a state agency.

NOW, THEREFORE, BE IT ORDERED:

In accordance with M.G.L. c. 40, § 4A, the Northampton City Council approves the agreement between the City of Northampton and the Commonwealth of Massachusetts entitled MEMORANDUM OF UNDERSTANDING BETWEEN THE COMMONWEALTH OF MASSACHUSETTS AND THE CITY OF NORTHAMPTON, dated April , 2020, for provision of security support for isolation and quarantine housing at the Quality Inn and Suites, 117 Conz Street, and for reimbursement by the Commonwealth for certain expenses associated therewith.

CITY OF NORTHAMPTON

MASSACHUSETTS

In City Council, April 16, 2020

Upon the recommendation of the Mayor

20.046 An Order to Approve Gift Fund Expenditures for Resilience Hub

hereas, one of the key service gap recommendations of the 2019 Mayor's Work Group on Panhandling Study Report (*A Downtown Northampton for Everyone: Residents, Visitors, Merchants, and People At-Risk*) was the creation of a community day center to serve Northampton's at-risk population; and

Whereas, in line with that recommendation and concurrent with Northampton's climate resiliency efforts, the city is exploring creation of a resilience hub and day program to support vulnerable residents facing chronic and acute stress due to climate change and other disasters, and social and economic challenges; and

Whereas, during normal times a resilience hub would serve those at the frontline of chronic stress (i.e. frontline communities, including homeless, Single Room Occupancy (SRO) residents, those living in extreme poverty, and climate vulnerable populations) and possibly other community needs; and

Whereas, the resilience hub will be designed, however, so that during times of acute stress or major disruption (e.g. a major storm event, disaster, or pandemic) and during the recovery phase, it can serve all residents; and

Whereas, preliminary community discussions of this resilience hub concept as part of the city's Community Development Block Grant (CDBG) Action Plan development have created significant interest and already inspired two substantial donations to support the effort.

Ordered that, Northampton City Council in accordance with Massachusetts General Law Chapter 44, Section 53 A (Grants and gifts; acceptance and expenditure) authorizes the expenditure of funds donated by the public to be used for the ongoing planning and potential implementation of a resilience hub and day program to support Northampton residents who face chronic and acute stress due to climate change and other disasters, and social and economic challenges.

COUNCILORS

AT LARGE

Gina-Louise Sciarra - President
William H. Dwight

WARD

1 Michael J. Quinlan, Jr.
2 Karen Foster
3 James Nash – Vice President
4 John Thorpe
5 Alex Jarrett
6 Marianne L. LaBarge
7 Rachel Maiore

CITY COUNCIL
CITY OF NORTHAMPTON
MASSACHUSETTS

MEMORANDUM

FROM: Laura Krutzler, Administrative Assistant, Northampton City Council

TO: City Council Committee on Finance

DATE: April 14, 2020

Re: FY2021 Independent Audit

As mentioned at the organizational meeting, as the committee charged with making recommendations on financial matters, the Finance Committee typically takes the lead in making recommendations on the Independent Audit.

The Charter adopted in 2012 assigns the City Council the responsibility to annually provide for an outside audit of the city's books and accounts.

Scanlon & Associates has been the city's auditor for at least two decades. The first time the City Council conducted a full procurement process was in 2015. In September of 2015, as the low bidder, the council awarded a three-year contract to Scanlon & Associates for the FY16-FY18 audits. That contract has been extended twice, so we are now in the fifth year of the contract with Scanlon. Last year the Finance Committee recommended extending the contract for another year with the understanding that there would be a full procurement process this year.

Since there is now a new council and in light of recent events, we wanted to initiate a conversation to see if the Finance Committee's recommendation and the council's will is still to conduct a full procurement process. The charter says, "The award of a contract to audit shall be made by the city council on or before September 15 of each year." So if the Finance Committee wants to conduct a procurement process this year, it needs to commence very soon in order to meet this deadline.

Per M.G.L. c. 30B, Section, contracts with labor relations representatives, lawyers or certified public accountants are exempt from the state procurement act. So going out to bid is not legally required, and the procurement process to be followed is not prescribed by Chapter 30B but is at the discretion of the city council.

While going out to bid is not legally required, both the Department of Revenue (DOR) and the Government Finance Officers Association (GFOA) recommend municipalities undertake a full-scale competitive process for the selection of an independent auditor every five to eight years. (see attached)

I prepared two sample timelines for informational purposes. Ideally, accounting firms should be given 30 days to respond to an RFP. And Finance Committee members have to review the proposals, decide which firms to interview and conduct interviews. The Finance Committee's recommendation needs to get to council by its August meeting in order to allow two readings prior to the September 15th deadline.

These timelines show that the process would need to commence with the issuance of an RFP either May 1st or June 1st at the latest.

Mass DOR / Division of Local Services on Rotating Outside Auditors
O'Donnell - 9/5/15

DLS Fact Sheet:

> "It happens that municipalities will rely on one auditor or audit firm for multiple years. In fact, the Government Finance Officers Association (GFOA) recommends that communities engage the same auditor by entering into multi-year agreements, or a series of one-year contracts, for a term of at least five years. A multi-year agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. However, after this term, GFOA recommends a full competitive selection process and a rotation of auditors after each multi-year agreement, provided there is adequate competition among qualified auditors. Contracting with a new audit firm can not only bring a fresh perspective, but reflects good practice. In general, communities are encouraged to re-advertise for auditing services every five to eight years. GFOA also acknowledges circumstances or locations where there is a lack of competition among fully qualified auditors. In such cases, the participation of the current auditors is acceptable, assuming their past performance has been satisfactory and has conformed to industry standards."

Financial Management Review for the City of Taunton / September 2013:

> "Taunton has contracted with KPMG to conduct annual audits for more than a decade. While staying with one auditor over multiple years promotes continuity and minimizes disruption of everyday activities, the Government Finance Officers Association recommends that outside auditors be changed every five to eight years. Cycling new auditors provides fresh perspective and fosters long-term independence. We therefore also advise Taunton to solicit proposals from multiple firms for the next fiscal year."

Financial Management Review for the Town of Pembroke / December 2013:

> "We recommend that the town advertise for auditing services every five-to-eight years. According to DOR's records, audits conducted since FY1985 have been completed by Raymond Kasperowicz CPA. As a routine practice, we comment on the number of years that a municipality might contract with or rely on the same auditor. The Government Finance Officers Association (GFOA) recommends that communities enter into multi-year agreements with auditors, or a series of one- year contracts, for a term of five-to-eight years. A multi-year agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. However, after this term, GFOA recommends a full competitive selection process. If auditors are retained over many years, the principal in charge of the town's account should periodically change. Contracting with a new audit firm can not only bring a fresh perspective, but reflects good practice."

Government Finance Officers Association

BEST PRACTICE

Audit Procurement

BACKGROUND:

The Government Finance Officers Association (GFOA) has long recommended that state and local governmental entities obtain independent audits of their financial statements performed in accordance with the appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance functions and by maintaining citizens confidence in their elected leaders.

RECOMMENDATION:

GFOA makes the following recommendations regarding the selection of auditing services:

- The scope of the independent audit should encompass not only the fair presentation of the basic financial statements, but also the fair presentation of the financial statements of individual funds and component units. The cost of extending full audit coverage to the financial statements of individual funds and component units can be justified by the additional degree of assurance provided. Nevertheless, the selection of the appropriate scope of the independent audit ultimately remains a matter of professional judgment. Accordingly, those responsible for securing independent audits should make their decision concerning the appropriate scope of the audit engagement based upon their particular governments specific needs and circumstances, consistent with applicable legal requirements.
- Governmental entities should require in their audit contracts that the auditors of their financial statements conform to the independence standard promulgated in the General Accounting Offices *Government Auditing Standards* even for audit engagements that are not otherwise subject to generally accepted government auditing standards.
- Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.
- Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract, as is often the case in the private sector. Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Except in cases where a

multiyear agreement has taken the form of a series of single-year contracts, a contractual provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.

- Professional standards allow independent auditors to perform certain types of nonaudit services for their audit clients. Any significant nonaudit services should always be approved in advance by a governmental entitys audit committee. Furthermore, governmental entities should routinely explore the possibility of alternative service providers before making a decision to engage their independent auditors to perform significant nonaudit services.
- The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditors ability to perform a quality audit. In no case should price be allowed to serve as the sole criterion for the selection of an independent auditor.

References:

- *CPA Audit Quality: A Framework for Procuring Audit Services*, General Accounting Office, August 1987.
- *Audit Management Handbook*, Stephen J. Gauthier, GFOA, 1989.
- *An Elected Officials Guide to Auditing*, Stephen J. Gauthier, GFOA, 1992.
- *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*, Stephen J. Gauthier, GFOA.

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TIMELINE FOR PROCUREMENT PROCESS FOR INDEPENDENT AUDIT TO ALLOW CITY COUNCIL AWARD OF CONTRACT BY SEPTEMBER 15, 2020

Note: This timeline would allow the City Council to consider the Finance Committee's recommendation in first reading at its August meeting and award the contract at the first meeting in September (September 3, 2020).

TIMELINE FOR PROCUREMENT PROCESS FOR INDEPENDENT AUDIT TO ALLOW CITY COUNCIL AWARD OF CONTRACT BY SEPTEMBER 15, 2020

CITY OF NORTHAMPTON

REQUEST FOR PROPOSALS

FOR

AUDITING SERVICES

The City of Northampton, Massachusetts invites qualified, independent public accountants, licensed to practice in the Commonwealth of Massachusetts, to submit proposals to conduct an audit of its financial accounts and records in accordance with the specifications listed below.

I. INFORMATION FURNISHED TO PROPOSER

A. GENERAL INFORMATION

1. Per the City's Charter, "*The city council shall annually provide for an outside audit of the books and accounts of the city to be conducted by a certified public accountant or firm of certified public accountants, which has no personal interest direct or indirect, in the fiscal affairs of the city or any of its officers. The mayor shall annually provide to the city council a sum of money sufficient to the estimated cost of conducting the audit as presented to the mayor, in writing, by the city council. The award of a contract audit shall be made by the city council on or before September 15 of each year. The clerk of the council shall coordinate the work of the individual or firm selected. The report of the audit shall be filed in final form with the city council not later than March 1 in the year following its award*".

2. The city government consists of the following elected positions: mayor, city council, city clerk, public school committee, and board of trustees for the Smith Vocational and Agricultural School.

   As chief executive officer, the Mayor appoints, subject to city council approval, all other principal executive officers of the city. The Mayor is responsible for the administration of the fiscal and other affairs of the city with the exception of local school affairs, which are administered by the School Committee.

   The City Council consists of nine members; seven ward councilors and two at-large councilors each serving a two year term. The city is divided into seven wards with a roughly equal number of voters in each ward. The city council is the legislative body for the city and is responsible for adopting the budget as prepared by the mayor and for adopting city ordinances.

The City provides general governmental services including police and fire protection, water and sewer services, including a water treatment facility, wastewater treatment facility, street maintenance, parks, recreational facilities and education for grades kindergarten though twelve. The current work force of the City is approximately 990 FTEs equivalent to approx. 1,100 employees.

The City provides for two school districts and education is the single largest spending category within the budget. Northampton Public Schools consist of four elementary level schools for grades kindergarten through grade 5; a middle school for grades 6 – 8 and a high school for grades 9 – 12. The city also has a funding commitment for Smith Vocational and Agricultural High School located within city limits. The financial and organizational structure of Smith Vocational presents unique challenges for the city. Like other vocational schools in the state, SVAHS provides educational services to surrounding communities; however, unlike other vocational schools, the monies paid to the school are derived from state Chapter 70 formulas and tuition from sending communities.

The Northampton Public School Committee members consists of two (2) at-large school committee members, seven (7) ward school committee members, and the Mayor who serves as the committee's chair. The School Committee has exclusive jurisdiction over the city's public school system and appoints a superintendent to administer the day-to-day affairs of the school system.

The Smith Vocational School is governed by a Board of Trustees consisting of three elected trustees, the mayor, and the city public school system superintendent.

Additional information regarding the City is also available on the City's website www.northamptonma.gov.

B. THE CITY'S BUDGET

1. The City's annual budget is $103,087,380 and is comprised of an $87,903,856 General Fund and Enterprise Funds for Water ($6,617,188), Sewer ($6,074,067), Solid Waste ($517,593) and Storm Water ($1,974,676).

2. The fiscal year 2014 audit was performed by Scanlon & Associates, LLC and the firm is under contract to complete the fiscal year 2015 audit. The opinion for FY 2014 is unmodified. The 2014 audit report and management letter are available on the city website at http://northamptonma.gov/739/Annual-Audits or by request to Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060.

3. The City maintains its general ledger in accordance with the Massachusetts Uniform Municipal Accounting System established by the Bureau of Accounts on a modified accrual basis. Most financial records of the City have been converted to an automated system (Munis). Cash, Accounts Receivable and Interdepartmental reconciliations will be made by the City at year-end.

C. NATURE OF SERVICES REQUIRED

1. The firm is to conduct an examination of the City's basic financial statements to ensure compliance with relevant state statutes and city ordinances. This examination is to be performed in accordance with generally accepted auditing standards applicable to financial audits contained in the most recent *Government Auditing Standards*, issued by the Comptroller General of the United States. These audits shall be provided annually for fiscal years ending June 30, 2016, 2017 and 2018.

2. In addition to the financial audit, the firm is to conduct an audit in accordance with the Single Audit Act of 1984 (P.L. 98-502), as codified in Chapter 75 of Title 31 of the United States Code and the regulations established to implement this law by the Director of the Office of Management and Budget OMB Circular A-133. This compliance audit shall be provided annually and will cover the fiscal year ending June 30, 2016, 2017 and 2018. The auditor shall be responsible for filing the Single Audit with the Federal Audit Clearinghouse.

3. The firm is to conduct an End of Year audit of the Northampton Public School District and Smith Vocational and Agricultural High Schools' financial records, to include using the Department of Elementary & Secondary Education Compliance Supplement.

4. The firm is to examine records and methods of record keeping of the City and Schools providing assurance of compliance with all federal funding and grant program requirements. These audits will include Title I and SPED Grants at Northampton Public Schools and Smith Vocational and Agricultural High School and the Community Development Block Grant Program for the City. Audits of the School Lunch program at each school district will be necessary in FY 2017 only as they are conducted every three years (last conducted in FY 2014).

5. In addition to the examination of internal controls, the firm shall also examine a minimum of four (4) and a maximum of six (6) separate departments of the City government chosen by the City per audit year, including a written evaluation of those systems and recommended improvements of the same.

6. In addition to completing the annual audit, the accounting firm shall be available during business hours by phone and e-mail, throughout the contract period, to provide the City with advice and guidance on routine financial accounting and reporting issues. The accounting firm is also expected to keep the City abreast of the working requirements of all new accounting and financial reporting pronouncements of the Government Accounting Standards Board, the United States Office of Management and Budgets and the Commonwealth of Massachusetts.

7. It is expected that a management level member of the auditing team participate in Bond rating calls with the city's Finance Director.

8. Prior to the commencement of the audit, the firm's schedule of information needed from each department is to be submitted to the Finance Director. In addition, the auditing team will hold an entrance conference with the Finance Committee and the Finance Director.

9. At the conclusion of each annual audit, a management level representative of the accounting firm will be expected to appear before the Mayor and City Council to discuss the findings resulting from the audit.

10. At the conclusion of the audit, all audit work papers are the property of the City and shall be retained for a period of at least seven years. Upon request, all work papers, preferably in electronic format, shall be provided without charge to authorized City personnel, and representatives of Federal or State Agencies in accordance with Federal Law, State Law and other regulations. Working papers will also be made available for examination, at charge, or duplication, at a reasonable charge, to subsequent auditors engaged by the City.

D. REPORT REQUIREMENTS

Prior to completion of the management letter, the firm shall meet with the Finance Committee and Finance Director to review the findings and recommendations in detail. Draft copies all reports and a management letter shall be reviewed and discussed at the meeting. Subsequently the accounting firm will be required to meet with the City Council to review the results of the audit.

The accounting firm will print, bind and submit as many copies of the aforementioned reports as is necessary to satisfy the City's reporting requirements to state and federal regulatory and oversight agencies plus 20 bound copies and 1 electronic version to the City.

Written reports that are required at the completion of the audit include:

1. An auditor's opinion as to whether the general purpose financial statements fairly represent the financial position of the City and the results of its financial operations in accordance with generally accepted accounting principles. In addition, the report must contain an auditor's opinion whether the supplemental statement of federal assistance presents fairly the actual grant data in relation to the general-purpose financial statements. The supplemental statement of federal assistance must show the total expenditures for each federal assistance program. All financial statements and notes presented in the audit shall be in conformity with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards and other applicable pronouncements.

2. An auditor's statement whether an internal control system exists to provide reasonable assurance that funds are managed in compliance with applicable laws and regulations. Further, the auditor's report must identify the City's significant internal accounting controls designed to provide for compliance. The auditor shall report the controls that were evaluated, and the material weaknesses identified, if any, as a result of the evaluation.

3. An auditor's statement on compliance with grant requirements. The statement shall include: a statement of positive assurance with respect to those items tested for compliance, including compliance with law and regulations pertaining to financial reports and claims for advances and reimbursements; a statement of negative assurance on those items not tested; a summary of all instances of noncompliance; and an identification of total amounts questioned, if any, for each federal assistance award, as a result of noncompliance.

4. A management letter, which shall identify any management weaknesses observed and the assessed effect on financial management. The management letter shall also summarize specific recommendations necessary to achieve compliance. The final copy of the management letter shall contain the City's printed responses for each finding.

5. An auditor's statement on compliance with school EOY report as required by the Massachusetts Department of Education compliance supplement.

E. TIMING

1. Qualified public accounting firms wishing to present the City of Northampton with a formal proposal for providing independent audit services for the next (3) fiscal years should forward (6) copies of their proposal to:

Pamela L. Powers

Administrative Assistant to the City Council
City of Northampton
210 Main Street, Room 16
Northampton, MA 01060

Not later than 12 noon (Eastern Standard Time) on Friday, August 21, 2015. All proposals must be in a sealed envelope and clearly marked, "City of Northampton Audit Services Proposal."

If you desire additional information please contact Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060 or by email @ ppowers@northamptonma.gov.

2. The audit contract award is scheduled on or about September 15, 2015 but is subject to change at the discretion of the City Council.

3. The anticipated date for which preliminary work may commence is May 15, 2016. No work is to commence prior to the full execution of the contract.

4. The draft reports will be reviewed with the Finance Committee and the Finance Director at an exit conference to be held no later than December 15.

5. The final annual audit reports will be completed by December 31 and a presentation of such reports will be made to the City Council at a mutually agreed upon time.

F. AWARD OF CONTRACT AND REJECTION OF PROPOSALS

1. Award will be based on a combination of price, experience and ability to complete the work in accordance with the schedule.

2. The firm must be willing to enter into the City's standard contract (attached) and include the signature page in the quote signed by an authorized signatory for the firm.

3. The City Council for the City of Northampton reserves the right to reject any or all proposals, waive minor informalities and to award the contract in the best interest of the City.

4. The City of Northampton reserves the right to accept a proposal which is not the lowest in price if the City Council deems it to be for the best interest of the City of Northampton.

5. The City of Northampton reserves the right to waive any informalities in the proposal process or in the proposals themselves.

6. The City of Northampton reserves the right to negotiate with any qualified vendor if the City Council deems it to be for the best interest of the City of Northampton.

7. The City of Northampton may reject any proposal which in its opinion is incomplete or contains conditions not called for, erasures not properly initialed or other irregularities.

G. CITY RESPONSIBILITIES

The City shall provide the auditors with reasonable workspace, desks, and chairs. The auditors will also be furnished access telephones, facsimile machines, and photocopying machines. Because of the limited office and conference room space, the City is unable to guarantee continuous use of any one room or a secure storage area for the auditor's equipment, papers, and other belongings.

The City's assistance to the accounting firm will be specifically limited to:

1. The City will provide worksheets and back-up documents required by the Department of Revenue for the certification of Free Cash.

2. Locating appropriate records (the pulling and filing of specific documents will be the responsibility of the accounting firm which will be required to re-file these documents in an orderly manner).

3. Meeting and conferences (by appointment, if necessary).

4. The City's fiscal year ends on June 30th. Preliminary financial and other records and reports will generally be available for audit by September 15th of the next fiscal year. Testing and review of internal controls may take place earlier at a mutually agreed upon time.

H. BILLINGS

Prices quoted shall include the cost of all labor, materials, insurance, and all other necessary expenses to fulfill the conditions of the contract. All travel costs to be incurred by the firm shall be paid by the firm. The City of Northampton will not pay for travel time or any travel related expenses.

Payments shall be made upon completion of services for each audit type.

I. OTHER PROPOSAL INFORMATION

1. If it becomes necessary to revise any part of this RFP, or otherwise provide additional information, an addendum will be issued by the City and furnished to all firms that have received copies of the original RFP.

2. All proposals become the property of the City and are subject to disclosure as required by Massachusetts General Laws.

3. The City is not liable for any cost incurred by the prospective firms in replying to this RFP.

4. Audit fees of prior years, the latest audit report, and management letter are available upon request.

II. INFORMATION REQUIRED FROM PROPOSER

In order to simplify the evaluation process and obtain the maximum degree of comparison, the City is requiring prospective firms to submit proposals in the format and manner prescribed in this section. Firms are cautioned that any deviation from this format may result in disqualification of their proposals.

A. TITLE PAGE

1. Project title.
2. Name of proposing firm.
3. Address and telephone number of proposing firm.
4. Name of contact person.
5. Date of submission.

B. LETTER OF TRANSMITTAL (Limit to one or two pages)

1. Briefly state the firm's understanding of the work to be done and make a positive commitment to perform the work within the required amount of time.

2. For Fiscal Years 2016 - 2018 summarize the fees for each year and state that the proposal is effective for one hundred twenty (120) days from the date of the opening of proposals.

3. The letter must be signed by the individual authorized to negotiate for and contractually bind the firm.

C. TABLE OF CONTENTS

Include clear identification of the submitted material by way of a Table of Contents that identifies contents by section and by page number. Such sections will be: "Professional Experience", "Proposer Approach to Audit", "Compensation", and "Additional Information". Content requirements are defined below.

D. PROFESSIONAL EXPERIENCE

1. Describe the local and/or regional office's audit experience with local governments (including the City of Northampton) in the last five years.

2. Identify the supervisors (e.g. partner, manager, auditor-in-charge) and the staff who are expected to work on the audit. Provide resumes (which may be included as appendices) showing relevant past experience, education, training, etc.

3. Describe the firm's participation, if any, in professionally sponsored quality control review of comparable programs.

4. List the names, contact information and service type provided to all Massachusetts municipalities during FY 2012, 2013 and 2014.

5. Provide two recent sample Management Letters the firm has written for its clients. Please omit the client's name and any other information which may be considered confidential in the submittal.

6. A "Certificate of Non-Collusion" and a "Certificate of Tax Compliance" is to be included with the proposal, as well as any other statutorily required documents.

E. PROPOSER'S APPROACH TO AUDIT

1. State the firm's understanding of the services to be performed and the work products to be provided as defined in Section I.C, "Nature of Services Required" and I.D, "Report Requirements" of this RFP.

2. Submit a work plan to accomplish the scope of services within the required time. The work plan should include time estimates by staff level for each of the significant segments of the work (planning, internal control, testing, and statements / reports) and the staff assigned to each segment. Include a brief discussion of the audit procedures to be used in the audit process for each segment.

F. COMPENSATION

Technical and price proposal content can be combined in one proposal as this service is M.G.L. 30B exempt. This fee shall include all costs for which the firm expects to bill the City, including clerical, indirect, or other costs.

The City requests the following format with regards to pricing:

Proposal for Auditing Services - City of Northampton, MA
FY16, FY17, FY18 Audits

All quotes to be lump sum
All prices to be level funded for three years

Audit Type	FY16	FY17	FY18	TOTAL
Basic Financial Statements - these should include:				
Basic Financial Statements, Management Letter and requirements to comply with Single Audit Act	$	$	$	$
Federal Audits:				
Smith Vocational and Agricultural High School - Title I	$	$	$	$
Smith Vocational and Agricultural High School - School Lunch		$		$
Smith Vocational and Agricultural High School - SPED Grants	$	$	$	$
Northampton Public Schools - Title I	$	$	$	$
Northampton Public Schools - School Lunch		$		$
Northampton Public Schools - SPED Grants	$	$	$	$
CDBG	$	$	$	$
School End of Year Reports:				
Northampton Public Schools	$	$	$	$
Smith Vocational and Agricultural High School	$	$	$	$
TOTAL:	$	$	$	$

The price proposal spreadsheet is available electronically; to receive a copy, send an e-mail to: ppowers@northamptonma.gov. Please, however, submit a completed paper copy with the firm's proposal.

G. ADDITIONAL INFORMATION

Provide any additional information, not specifically requested herein that firm considers necessary for effective evaluation of the proposal.

III. COMPARATIVE EVALUATION CRITERIA

The purpose of defining comparative evaluation criteria is to assist the evaluation committee in making decisions about the firm's overall qualifications, including technical abilities and previous experience. The City reserves the right to apply other qualifying criteria as defined elsewhere in this RFP, including completeness of the proposal package, and price.

The City of Northampton shall apply the following criteria in its evaluation of the

proposals presented for consideration.

1. Auditor Experience Level

   Highly advantageous- Firms who have more than 5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

   Advantageous- Firms who have 2-5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

   Not advantageous- Firms with fewer than 2 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

2. Audit Management Team Experience Level

   Highly advantageous- Firms whose Audit Manager/Partner assigned to audit has 20 or more years of experience auditing Massachusetts municipalities.

   Advantageous- Firms whose Audit Manager/Partner assigned to audit has 10 years but fewer than 20 years of experience auditing Massachusetts municipalities.

   Not advantageous- Firms whose Audit Manager/Partner assigned to audit has 5 years but fewer than 10 years of experience auditing Massachusetts municipalities.

3. Firm Municipal Audit Experience

   Highly advantageous-Firms who have completed 15 or more Massachusetts municipal audits each year for fiscal years 2011 through 2014.

   Advantageous-Firms who have completed 10 but fewer than 15 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

   Not Advantageous-Firms who have completed 5 but fewer than 10 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

4. Size of Municipalities Audited

   Highly advantageous- Firms who have experience auditing at least 5 Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

   Advantageous-Firms who have experience auditing at least 1 but fewer than 5 Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

   Not advantageous-Firms who have no experience auditing Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

Questions can be directed to: Pamela L. Powers @ (413) 587-1210 or ppowers@northamptonma.gov

Attachment A

City of Northampton
Evaluation of Proposals
Audit Services

General

Criteria	Yes	No
1. Proposal submitted by deadline		
2. Correct number of proposals submitted		
3. Audit proposal correctly marked		
4. Standard Contract Signature Page Submitted		
5. Certificate of Non-Collusion Submitted		
6. Certificate of Tax Compliance Submitted		
7. RFP submission format as prescribed in Section II		

Qualifications & Experience

Criteria	H A	A	N A
1. Auditor Experience Level			
2. Audit Management Team Experience Level			
3. Firm Municipal Audit Experience			
4. Size of Municipalities Audited			
5. Comprehensive Annual Financial Report Experience			

Approach to the Audit

Criteria	H A	A	N A
1. Firm's understanding of the work to be performed			
2. Supervision to be provided over personnel			
3. Reasonableness of time estimate to complete work activities			

Price

Criteria	Yes	No
1. Proposed Pricing schedule submitted in approved format		
Other Pricing Consideration:		

Evaluation of References

Legend:
H A-Highly Advantageous **A-Advantageous** **N A-Not Advantageous**

ATTACHMENT B

CITY OF NORTHAMPTON
REQUEST FOR PROPOSALS
FOR AUDITING SERVICES

Proposal Submission Forms

CERTIFICATE OF NON-COLLUSION

The undersigned certifies under the penalties of perjury that this bid or proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the work "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity, or group of individuals.

_____

(Signature of person signing bid or proposal)

_____

(Name of Business)

CERTIFICATE OF TAX COMPLIANCE

Pursuant to Chapter 62C of the Massachusetts General Laws, Section 49A (b),

I,_____, authorize signatory for_____ do hereby certify under the pains and penalties or perjury that said contractor has complied with all laws of the Commonwealth of Massachusetts relating to taxes.

Contractor

By:_____

(Signature of Authorized Representative)

_____

(Title)

_____

(Date)

City of Northampton

Financial Audit Proposal

For the Fiscal Years Ended June 30, 2016, 2017 and 2018

SCANLON & ASSOCIATES, LLC

THOMAS J. SCANLON, JR., CPA
8 Tina Drive
South Deerfield, MA 01373
Phone: (413) 665-4001
Fax: (413) 665-0593
E-mail: tscanlonjr@comcast.net

Contact: Thomas J. Scanlon Jr., CPA
Submitted: August 21, 2015

Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
413.665.4001 (t) 413.665.0593 (f)

August 21, 2015

To the Honorable City Council
City of Northampton
210 Main Street
Northampton, MA 01060

Dear Council Members:

Thank you for the opportunity to submit a proposal for audit services for the City of Northampton, Massachusetts. We have a complete understanding of the work to be performed as outlined in the City's request for proposal for financial auditing services and are committed to completing all work and deliver reports within the specified time frames.

Scanlon and Associates, LLC is independent of the City of Northampton, Massachusetts as defined by professional standards (AICPA) and government auditing standards (yellow book). Scanlon and Associates, LLC has met peer review standards as defined by the American Institute of Certified Public Accountants (AICPA). All partners and staff to be assigned to the City's engagement have extensive knowledge and experience of auditing municipalities and have met the continuing education requirements as defined by auditing standards.

We are excited about the opportunity to work with the City. We believe our firm provides timely, quality work and excellent service at a reasonable fee and would be of great value to the City. Some of the reasons to select our firm include our experience, our personnel, our process and our commitment to ensure quality work.

A summary of audit fees for fiscal years 2016, 2017 and 2018 is as follows:

Fiscal Year	Financial Statement Audit	Single (OMB A-133) Audits (a)	School End of Year Reports - AUP	Retirement GASB 67/68	Total
2016	$ 42,000	$ 8,400	$ 9,000	$ 5,000	$ 64,400
2017	$ 42,000	$ 9,800	$ 9,000	$ 5,000	$ 65,800
2018	$ 43,000	$ 8,400	$ 9,000	$ 6,000	$ 66,400

We appreciate this opportunity to be service to you. If you have any questions, please contact us immediately.

Sincerely,

Thomas J. Scanlon Jr., CPA
Scanlon and Associates, LLC

CITY OF NORTHAMPTON

Financial Audit Proposal

For the Fiscal Years Ended June 30, 2016, 2017 and 2018

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
413.665.4001 (t) 413.665.0593 (f)

August 21, 2015

To the Honorable City Council
City of Northampton
210 Main Street
Northampton, MA 01060

Dear Council Members:

We are pleased to present this proposal in response to your request for proposals to perform audit services of the basic financial statements for the City of Northampton for the fiscal years ended June 30, 2016, 2017 and 2018. This offer is effective for at least 60 days.

As a partner of Scanlon & Associates, LLC, I would like to thank you for this opportunity and to express our desire and interest in being your independent auditor. This proposal contains information on our firm's background, experience in governmental auditing and our approach to the City's audit.

Firm's Background

Scanlon & Associates, LLC is a Certified Public Accounting firm with offices located in South Deerfield and Paxton, Massachusetts. The partners, Thomas J. Scanlon, Jr. and Daniel B. Haynes, employ nine auditors. The partners are separately authorized to negotiate and contractually bind the firm. The firm has been performing audits since 1979, and the staff includes four auditors with more than 20 years' experience performing governmental audits. Our policy is to render personalized, competent and timely services. Our employees are extensively trained and evaluated on a regular basis. Although our company has grown, we remain small enough to know our clients and assist them in their needs on a regular and ongoing basis.

Partners' Background

Thomas Scanlon, Jr. is a Certified Public Accountant in Massachusetts. He is a member of the American Institute of Certified Public Accountants. He is a graduate of the University of Massachusetts at Amherst and began working at the firm, Thomas J. Scanlon, CPAs started by his father in 1979. He is now a managing partner of the firm's municipal auditing practice.

Daniel B. Haynes, CPA, is a Certified Public Accountant in Massachusetts. He is a member of the American Institute of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants. He is a graduate of Bentley College in Waltham, Massachusetts where he received a Bachelor of Science degree in Accounting. Before the establishment of his own practice in 1990, Mr. Haynes was employed as a Government Finance Specialist at General Electric Company and as a partner with another CPA firm in Massachusetts. Dan is currently the administrator of finance for the Mahar Regional School District in Orange, Massachusetts. Dan's primarily role with the firm is quality control and consulting/reviewing the firm's audit engagements.

Audit Approach

We make it a point to meet with our clients after we are hired to discuss our approach to your audit and to inform you about what will be needed from the City during the audit process and when various segments of the audit will occur. We believe this early planning benefits the City and makes for a more efficient and expedient completion of the fieldwork. The firm would start the audit fieldwork in early fall (September) and expect to issue draft reports by December 15th. Final reports will be issued once the drafts have been reviewed and approved by City, which we would anticipate that to be shortly after the drafts have been issued.

We are committed to helping our clients benefit from the audit experience. We look for ways to improve the accounting systems and internal controls of the cities, towns and school districts we audit. When we discover areas where improvements could be made, we discuss them informally with key personnel and help them in the implementation process. We are available year-round to answer questions and assist our clients.

Partner Participation

Although several members of our firm will be assisting with the audit fieldwork, a partner will be in charge throughout the audit and will participate in all segments of the City's audit engagement. Only trained experienced staff will be assigned to the audit. Occasionally, new accountants will be present in a training capacity, but a supervisor will be present at all times to oversee any work being done. Our turnover is very low so we have continuity in staffing from year to year.

Publications and Technical Resources

We subscribe to many publications and computer aids available to municipal government auditors in order to better serve our clients and assist in accounting, finance and budget issues, and other procedures required by new government laws. We maintain an extensive library that includes Audits of Local Governments, Governmental Financial Statement Illustrations and Trends, Risk-Based Audits of Local Governments, the PPC Governmental Update, GASB (Governmental Accounting Standards Board) publications and more. We subscribe to The Beacon, a publication of the Massachusetts Municipal Association. This helps keep us informed about problems facing our clients, along with possible solutions.

Report Requirements

1) Audits of the financial statements of the various funds of the City of Northampton shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* (***if required***) issued by the Comptroller of the United States and shall include such tests of the accounting records and such other auditing procedures considered necessary in the circumstances. The audits will be conducted in accordance with the newly adopted Governmental Accounting Standard Board Statements. Copies of the report will be submitted to the Bureau of Accounts, and the Federal Audit Clearinghouse, if required.

   The report will contain an auditor's opinion about whether the general purpose financial statements fairly present the financial position of the City and results of its financial operations in accordance with U.S. generally accepted accounting principles.

2) Audits of Federal Financial Assistance in accordance with the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, will also be performed (***if required).*** This audit will include a determination of major programs in accordance with OMB Circular A-133 and other procedures we consider necessary to enable us to express such opinions and the to render the required reports.

   The report will contain ***(if required)*** an auditor's statement 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*. The report will include controls that were evaluated and the significant deficiencies and material weaknesses, if any, identified as a result of the evaluation. It will also include an auditor's statement on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.

3) The audits shall cover the fiscal years ending June 30, 2016, 2017 and 2018. Copies of the final report will be forwarded to the Bureau of Accounts, Division of Local Services, the Federal Audit Clearinghouse ***(if required)*** and other appropriate agencies as required.

4) A management letter of comments and recommendations shall be submitted in a separate letter containing the specific observations and recommendations relating to compliance with federal, state and local laws, internal control, accounting practices, policies, systems, procedures and other matters as may be appropriate as a result of the examination.

   As part of the audit process, we will study and evaluate the City's internal accounting system. All significant deficiencies, material weaknesses and other inefficiencies will be outlined in a formal management letter that will be reviewed with key personnel at the completion of the audit. Following discussion, this report will be presented in bound form along with the audited financial statements to the client and appropriate agencies.

   We believe the management letter should be presented in such a way to assist our clients in improving accounting systems and internal control. We offer our clients the opportunity to respond to our comments. We listen to clients' explanations and create a dialogue to come up

with a plan for improvement in areas documented in the management letter. In subsequent years, we follow up on these issues to assure improvements are being implemented.

5) A post-audit conference will be held with the City's Management, Auditor and Treasurer to review draft copies of the aforementioned reports prior to publication and distribution of the reports in final form.

Audit Fees

We propose to charge you fees as follows:

Fiscal Year	Financial Statement Audit	Single (OMB A-133) Audits (a)	School End of Year Reports - AUP	Retirement GASB 67/68	Total
2016	$ 42,000	$ 8,400	$ 9,000	$ 5,000	$ 64,400
2017	$ 42,000	$ 9,800	$ 9,000	$ 5,000	$ 65,800
2018	$ 43,000	$ 8,400	$ 9,000	$ 6,000	$ 66,400

(a) The fee amount is based on a billing amount of $700 per day for days spent on auditing major programs. An estimated amount of days (12) was used based on the prior year's major programs.

The above fees include out-of-pocket expenses and are stated on a not-to-exceed basis. Also, they were determined on the presumption that the records will be posted and up to date and departmental reconciliations performed. Also, the financial statements and MDA will be drafted by client.

Professional Experience

We have extensive knowledge in auditing municipalities, counties and other governmental units. Our clients consist of large cities, small and medium-sized towns, school districts and water districts in Massachusetts. Officials of these entities will verify our reputation when it comes to providing quality services throughout many years.

Because of our extensive experience in municipal and school district auditing and the fact that many of our clients have retained us for more than 10 years, we believe your City will benefit from our services and our dedication to working with City personnel during the audit. Additionally, we willingly and promptly answer questions and offer assistance throughout the year. It is our goal to provide quality service and greater productivity while at the same time to be competitive and to schedule fieldwork in such a way as to alleviate excessive disruptions to your staff.

The firm has passed quality reviews by the federal government, the State Department of Revenue and a quality review in conformity with standards established by the Peer Review Board of the American Institute of Certified Public Accountants. Our 2012 review report accompanies this letter. Our next scheduled Peer Review is this year.

Summary of Recent Audit Experience

Cities

City of Chicopee
City of Northampton
City of Westfield
City of Easthampton
City of Pittsfield
City of North Adams

Towns

Town of Alford
Town of Belchertown
Town of Brookfield
Town of Chesterfield
Town of Dalton
Town of Deerfield
Town of Erving
Town of Grafton
Town of Granville
Town of Hampden
Town of Lanesborough
Town of Leverett
Town of Norton
Town of Otis
Town of Pelham
Town of Shrewsbury
Town of Southwick
Town of Tisbury
Town of Warwick
Town of Wendell
Town of West Stockbridge
Town of Westborough
Town of Worthington
Town of Auburn
Town of Brimfield
Town of Charlemont
Town of Colrain
Town of Dudley
Town of East Longmeadow
Town of Florida
Town of Granby
Town of Holland
Town of Huntington
Town of Leicester
Town of Longmeadow
Town of Milford
Town of North Brookfield
Town of Palmer
Town of Richmond
Town of Shelburne
Town of South Hadley
Town of Spencer
Town of Sunderland
Town of Ware
Town of West Brookfield
Town of Westborough

Districts

Dalton Fire District
South Deerfield Water Supply District
South Hadley Fire District No. 2
Central Berkshire Regional School District
Southern Worcester County Vocational Technical Regional School District
Shelburne Falls Fire District
South Hadley Fire District No. 1
Southern Berkshire Regional School District
Tri-County Regional School District

Retirement Systems

City of Chicopee Retirement System
Town of Milford Retirement System
Town of Shrewsbury Retirement System
City of Northampton Retirement System
City of Westfield Retirement System
City of Easthampton

External Quality Control Review

The Federal Government, as outlined in its *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, requires all firms performing governmental audits to undergo a peer review every three years. The purpose of the review is to determine that the level of quality control standards in place at a firm meets the requirements of the profession. Our firm has always successfully completed its peer reviews, which were conducted by an independent reviewer firm. Our reviewers have complimented us for our excellent attention to detail in our workpapers. Attached is a copy of the latest quality review report for our firm.

Continuing Professional Education

In addition, governmental auditors must obtain eighty (80) hours of continuing professional education over a two-year period with twenty-four (24) hours specifically related to governmental accounting and auditing. All auditors on our staff involved in governmental audits have met the continuing professional education requirements.

Positive Affirmations

The firm is licensed by the Massachusetts Board of Public Accountancy. The firm and its members meet the independence requirements of Government Auditing Standards.

The documentation that is generated as a result of the engagement will be maintained for a period of at least five years after the completion of the engagement and will be made available upon a valid request to authorized representatives of any cognizant federal audit agency, the GAO or the Commonwealth of Massachusetts.

References

Matt Kerwood, Town Administrator
Town of Richmond
1529 State Road
Richmond, MA 01254
(413) 698-3882

Zachary Taylor, Finance Director
Town of Milford
52 Main Street
Milford, MA 01757
(508)634-2309

Sharyn Riley, City Auditor
City of Chicopee
City Hall Annex
Chicopee, MA 01013
(413) 594-1412

Mary Thompson, Town Accountant
Town of Shrewsbury
100 Maple Avenue
Shrewsbury, MA 01545
(508) 841-8505

Leah Talbot, Town Accountant
Town of Westborough
45 West Main Street
Westborough, MA 01581
(508) 366-3005

Deborah Strycharz, City Auditor
City of Westfield
59 Court Street
Westfield, MA 01581
(413) 572-6257

LIST OF FIRM PERSONNEL

ORGANIZATION CHART, LIST OF PROFESSIONAL STAFF, YEARS OF EXPERIENCE AND AREAS OF EXPERTISE

PRINCIPALS:	Thomas J. Scanlon, Jr. Certified Public Accountant	20+ years of Municipal Experience
	Daniel B. Haynes Certified Public Accountant	25+ years of Municipal Experience
SUPERVISORS:	Douglas Selkirk (Passed all parts of CPA exam)	25+ years of Municipal Experience
	Jeffrey Gendron Certified Public Accountant	15+ years of Municipal Experience
	Jo Ann Webster	20+ years of Municipal Experience
SENIOR AUDITORS:	Steven Stanlick	10+ years of Municipal Experience
STAFF AUDITORS:	Michael Pelletier	10+ years of Municipal Experience
	Matthew Nowicki	9 years of Municipal Experience
	Kyle Mitchell	2 year of Municipal Experience
	Doug Williams	Started January 2015
	Peter Turbin	Started August 2015
OFFICE MANAGER:	Kristine Ashman	

All of the above personnel would be eligible to be assigned to the District's audit. The audit team for the District would be made up of one partner, two supervisor/senior auditor and up to two staff auditors.

Timing

Subject to the availability of City staff, we anticipate starting the audit fieldwork in early fall (September) and issue draft reports by December 15th. Final reports will be issued once the drafts have been reviewed and approved by City, which we would anticipate that to be shortly after the drafts have been issued.

The final report and exit conference shall be presented at the request of the administration. Our invoice will be submitted at the conclusion of the audit.

Summary

This proposal will remain in effect for a period of one hundred and twenty (120) days from the submission date and thereafter until withdrawn, a contract is made and approved, or the procurement is canceled, whichever occurs first. The undersigned has the authority to contractually bind Scanlon & Associates, LLC.

Our firm recognizes that its sole product is prompt and effective service of the highest quality. Our goal is to serve our clients to their complete satisfaction. The individuals in our firm are highly trained and experienced professionals who work well with our clients.

We appreciate the opportunity to submit this proposal and look forward to hearing from you. If you have any additional questions regarding our proposal, please do not hesitate to contact our office.

Sincerely,

Thomas J. Scanlon Jr., CPA
Managing Partner
Scanlon & Associates, LLC

APPENDIX A

A-1

CITY OF XXXX, MASSACHUSETTS

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2014

CITY OF XXXX, MASSACHUSETTS

Management Letter

Year Ended June 30, 2014

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To the Honorable Mayor and City Council
City of XXXX
XXXX, Massachusetts

In planning and performing our audit of the basic financial statements of the City of XXXX as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of XXXX's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with City personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

The City's written response to our comments and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the management, the Mayor and City Council, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 16, 2015

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Informational Items

A. New OMB Circular

Comment:
In December 2013 the Office of Management and Budget (OMB) released new guidance on administrative requirements, cost principles and audit requirements for federal awards, which has been so called the "Super Circular" or "Omni Circular". This new guidance supersedes and streamlines requirements contained in OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133 by consolidating the requirements of those eight documents into one. The new guidance affects entities receiving and administering federal awards as well as auditors responsible for auditing federal award programs. The goal of this reform is to provide guidance that ease the administrative burden of federal awards, strengthen oversight over federal funds to reduce risks of waste, fraud and abuse and eliminate duplicate and conflicting guidance between circulars. The new guidance will be in effect for all federal awards or funding to non-federal entities on or after December 26, 2014 and will apply to non-federal entity audits for fiscal years beginning on or after that date (fiscal year 2016).

We recommend City personnel that administer and account for federal awards familiarize themselves with this new guidance.

B. Government Accounting Standards Board (GASB) Statement – GASB no. 68

Comment:
The GASB has issued new pronouncements that will significantly affect financial accounting and reporting requirements for Pensions. One of the pronouncements that will affect the City is summarized as follows:

- GASB Statement No. 68 *"Accounting and financial reporting for pensions"* is required to be implemented in fiscal year 2015. This statement will significantly change the reporting and accounting of the pension liability and expense. The primary objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. Changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Current actuarial methods and assumptions may continue to be used to determine funding amounts. Governments will be required to recognize in their financial statements a net pension liability (asset) determined annually as of the end of the fiscal year. GASB statement no. 68 is a financial reporting standard and does not require funding of any net pension obligation.

Given the significant impact of this GASB statement on the City's financial accounting and reporting we recommend that the City familiarize and educate themselves with the statement.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Departmental Receipt Procedures

Comment:
Various departments of the City receive cash and check payments from customers in the normal course of operations. Cash transactions, by nature, have a higher degree of inherent control risk and require the establishment of additional preventive controls to safeguard against loss. The City should establish and disseminate uniform policies and procedures for the handling of receipts by all departments. Issues to be considered include:

- Maintaining receipt logs with reference to source documentation.
- Maintaining pre-numbered receipt books.
- Maintaining an audit trail over remittances to the Treasurer's Office.
- Establishing policies for frequency of remittance.
- Establishing policies for breakdown of cash and checks on a standardized turnover sheet.
- Account reconciliations between the Treasurer's and Auditor's office with City Departments.
- Security of receipts on hand during City business hours and overnight.

We recommend that the City review and modify, if necessary, the uniform policies and procedures over the receipt function pertaining to various departmental receipts. The City should monitor departmental compliance with established procedures on a periodic and continual basis. All department heads should review established procedures and document their understanding of the relevant cash receipt control activities.

2. Review Receipt Deposit Procedures

Comment:
During our audit we tested bank deposits and noted the current deposit procedure of receipts does not reflect the actual departmental turnover in its entirety. We recommend that the City Treasurer's office review its deposit procedures and consider changing its procedures. We recommend that departmental receipts turned over to the Treasury be deposited as a whole and not separated. We believe this procedure would improve the audit trail and also improve internal control over departmental receipts.

3. Improve Reconciliation of Subsidiary Ledger

Comment:
During our audit fieldwork we reviewed and tested the budgets set-up in the subsidiary ledgers and we found the following:

- A council vote transferring $229,000 of free cash to another fund was not done.
- An encumbrance was set up twice - $38,500.
- Sewer budgeted revenues did not agree to fiscal year 2014 budget information.

We communicated these matters during our fieldwork to City Auditor office personnel. We recommend the City review it's current procedures to reconcile the subsidiary ledgers and make improvements.

4. Procurement – Chapter 30B

Comment:
Massachusetts General Laws Chapter 30B requires that purchases of $10,000 to $25,000 be supported by documentation that quotes were obtained by at least three vendors and that expenditures of $25,000 or more be subjected to a formal bidding process. During our audit we tested the City's compliance of Chapter 30B. We noted an instance in which the procurement laws may not have been met. The instance was in regard to a sole source purchase for textbooks ($21,448). A purchase under sole source requires that documentation be retained of the basis of the determination that only one practicable source exists. We could not locate such documentation during our fieldwork. We communicated this instance with personnel during our fieldwork. We recommend that if a sole source procurement is made all proper documentation is retained in a central file.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Golf Course

Prior Year Comment:
During our audit we reviewed the various activities and controls of the golf course operations. We found the following:

- The golf course did not maintain a documented inventory control for the pro-shop. The general manager stated that they performed inventory counts periodically throughout the year but we could not locate any documentation that this was done. We printed an inventory list from the point of sale system at the time of our fieldwork and compared several items to the inventory on hand. We noted discrepancies between the list and items on hand. The golf course should implement a monthly documented inventory control system. In this way the assets of the pro-shop will be safeguarded.
- Upon inquiry we noted that certain personnel are receiving free golf. We would interpret this as a form of compensation and should be subject to payroll taxes. We could not verify if it was in accordance with City policies and procedures. We recommend that the City review this matter to determine if it is appropriate and whether it's a form of compensation.
- The Golf course implemented a video/camera surveillance system. Upon inquiry we noted that there are no procedures or policies on how the system is utilized, for instance, when and whom review the recordings and how long recordings are retained.
- During our testing of daily revenues we noted that voided sales seem to be excessive. Reports processed from the Golf's POS system indicated that approximately $53,465 of voided sale transactions occurred in fiscal year 2013. We inquired to personnel about the excessive amount of voids. We were told the majority of voids are related to inquiries of prices on items and this is done by entering a sale in the POS system to obtain the price and then voiding it out. We tested two weeks of daily sales and could not verify to documentation that supported the voids. We recommend that the golf course change its procedures to reduce the amount of voided sale transactions. Also, the daily sales reports should be reviewed by management to ensure that revenues are properly reconciled and that voided transactions are appropriate.

Status- Fiscal Year 2014 Audit:
During fiscal year 2014 the City Auditor's and City Treasurer's office has been working with the Golf Course personnel to establish new policies and procedures. During our fieldwork we followed up on our prior year's comments and have noted that the new policies and procedures were effective and last year's situation had been rectified. We recommend that the City Auditor's office continue with their efforts to monitor the Golf Course operations.

2. Health Insurance

- *Budget*

Prior Year Comment:
During the last three fiscal years we have noted a significant unobligated surplus within the health insurance budget. We have summarized below:

Fiscal Year	Budget	Expended	Obligated/ Committed	Excess
2011	$ 14,764,595	$ 12,786,077	$ 998,500	$ 980,018
2012	13,444,955	11,058,245	975,000	1,411,710
2013	15,166,620	11,833,457	980,000	2,353,163

Health insurance can have an impact on other areas within the City, such as net school spending. We inquired and reviewed the reason for the excess but could not establish a reasonable determination except for that fact that it was over budgeted. We recommend that the City review the policies and procedures for establishing the health insurance budget to determine if it accurately reflects the City's expenditures.

Status- Fiscal Year 2014 Audit:
The City has reviewed its policies and procedures for establishing a budget for the health insurance budget. The City has made changes which will be effective for its 2015 budget.

- *Withholding*

Prior Year Comment:
During our audit we noted that health insurance withholding account balances are not being properly reconciled. Because these accounts have significant annual activity and carries with it statutory responsibilities, we recommend that these accounts be accounted for accurately and consistently. A proper and timely reconciliation of the health insurance withholdings would minimize and control potential discrepancies from occurring.

We recommend that all health insurance withholding accounts be reconciled monthly to the applicable governmental regulations and source documents to insure that proper employee contributions are being properly accounted for.

Status- Fiscal Year 2014 Audit:
The City has taken our recommendation under advisement and is currently reviewing its procedures. As of the date of our audit the situation remains the same.

3. MSBA Project – XXXX Academy

Prior Year Comment:
The City has a school capital project (XXXX Academy) that is a MSBA grant eligible project. During our audit we reviewed the transactions in the project. We noted that the City does not have a procedure in place to reconcile the project reimbursement submittal requests to the general ledger account activity. Further we noted that the reimbursement requests were not being done in a timely manner. We recommend that a procedure be implemented to insure the requests are timely and accurately represent the activity in the general ledger capital project.

Status- Fiscal Year 2014 Audit:
The City Treasurer's office has taken over the MSBA reimbursement submittal process and has rectified the prior year's situation.

4. Posting of Revenues to General Ledger

Prior Year Comment:
During our audit we found that revenues were not being posted accurately or timely to the City's general ledger. During our fieldwork we noted instances in which revenues were not posted to the general ledger in excess of three months and revenues posted to inaccurate accounts (Medicaid). In a review of subsequent to year-end transactions in February of 2014 we found that revenues were posted through October 2013. Management of the City must rely on the financial information generated by the City Auditor's office to make decisions that affect short-term and long-term financial goals of the City. In order for management to make sound decisions they must be confident that the information generated is timely. Furthermore, by not posting revenues to the general ledger in a timely manner will also delay the reconciliation of other key accounts (i.e. cash and receivables).

We recommend that revenues be posted to the City's general ledger accurately and in a timely manner.

Status- Fiscal Year 2014 Audit:
The City has improved the process of posting revenue to the general ledger in a timely manner. As of the date of our fieldwork began January 6, 2015 revenues and cash reconciliations were thru November 2014.

5. Tax Title Reconciliation

Prior Year Comment:
During our audit we found that the reconciliation process between the City Treasurer's tax title accounts receivable ledger and the City Auditor's general ledger were not effective. The variance from prior year did not remain the same as summarized below:

	Outstanding Per General Ledger June 30, 2013	Outstanding Per Subsidiary Ledger June 30, 2013	Variance June 30, 2013	Variance June 30, 2012	Change
Tax Title	$ 549,630	$ 634,126	$ (84,496)	$ (42,480)	$ 42,016

We also noted during our audit that the schedule of outstanding receivable submitted to Department of Revenue for free cash certification indicated a zero variance.

In prior audits we had similar comments in the management letters and in fiscal years 2011 and 2012 the City implemented procedures to reconcile the tax title subsidiary ledgers and the general ledger with maintaining the same variance.

We recommend that procedures be implemented to effectively reconcile the Treasurer's tax title records to the City Auditor's general ledger.

Status- Fiscal Year 2014 Audit:
The City Auditor's and the City Treasurer's office have made improvements to the reconciliation process with regard to tax title. The variance at June 30, 2014 was $13,967 as submitted on the schedule of outstanding receivables for free cash certification by the Department of Revenue. During our audit fieldwork we found that the general ledger did not have certain accounts transferred from tax title to tax foreclosure and have proposed an adjustment to the general ledger. After the adjustments for the foreclosures the variance would be the same as the prior year. We have proposed an additional adjustment for this, thus eliminating the variance.

We recommend that periodic reconciliations continue to take place with no variance.

6. Transfer of Funds in Bank Accounts

Prior Year Comment:
As a result of the City having various special accounts that earn interest (i.e. MWRA projects, student activities, electric light depreciation fund), actual cash transfers are necessary between funds, for such items as City council votes or actual expenditures that are paid out of the general cash but not paid out of the specific bank account. By not transferring funds, this causes accounting problems and also results in the specific funds not receiving the correct amount of interest. Further, any transfers that are made should be documented in detail.

Status- Fiscal Year 2014 Audit:
The situation remains the same at June 30, 2014. During our fieldwork we have communicated this matter with the Treasurer's and they are aware and will make the necessary corrections going forward.

7. Improve Accounting for MWPAT Capital Projects

Prior Year Comment:
The City has several projects that are funded by proceeds from Massachusetts Water Pollution Abatement Trust (MWPAT). Monies from MWPAT are classified as proceeds from issuance of debt and the monies from the MWPAT are not received at one time, like a traditional borrowing would be, instead the City submits to the MWPAT for reimbursement of expenditures incurred on a periodic basis and funds are received over a period of time. Furthermore some MWPAT proceeds can be partially funded from federal grants which would have an impact on the City with regard to the A-133 audit (single audit). Accounting for MWPAT projects can be complex based on the factors mentioned above.

During our audit we noted that the City did not properly set up accounts receivable and liabilities for the debt on the general ledger. Receivable and loan accounts should be established in the general ledger to track all MWPAT committed loans. These receivables and loans should be reconciled to the Treasurer's and departmental records on a periodic basis. This will insure that all MWPAT loans and proceeds are properly accounted for.

Status- Fiscal Year 2014 Audit:
The City has taken our recommendation under advisement. The situation remains the same at June 30, 2014.

8. ILOT Departmental Receivable

Prior Year Comment:
The ILOT accounts receivable for the City is approximately $287,212 at June 30, 2013. Of that amount approximately $199,114 is from fiscal years 2012, 2010 and 2009. The majority of this amount ($143,114) has been set up as an uncollectible account on the City's financial statements.

We recommend that the City review these accounts.

Status- Fiscal Year 2014 Audit:
The City has reviewed and corrected the ILOT accounts receivable.

9. Community Development

Prior Year Comment:
In prior fiscal years (2010 and 2011) we had recommended that the community development office improve the reconciliations with the City Auditor's general ledger. One of the recommendations was to implement a new chart of accounts on the general ledger and utilize a spreadsheet within the community development department. In fiscal year 2012 improvements were made with regard to reconciliations between the two departments. As part of the 2012 process adjustments were made to close out old accounts and combine accounts. During our current audit we found mispostings to general ledger accounts within community development projects. Furthermore, because of the uniqueness of the community development program and the design of the chart of accounts monthly journals entries may be required between accounts (i.e. salaries). We noted that these journal entries were not completed between community development line items. Although the community development program as a whole is accurate some line items within the program may be incorrect on the general ledger. We recommend that the City Auditor and community development continue to improve their reconciliation process. As part of that process individual accounts within the community development program should be reconciled. Furthermore, the community development department maintains various loan receivables. To improve controls these loan receivables should be set up on the City's general ledger and reconciled periodically (i.e. monthly/quarterly).

Status- Fiscal Year 2014 Audit:
The City Auditor's office has reviewed the situation and in fiscal year 2015 has implemented procedures to reconcile with Community Development. As of the date of our fieldwork there were still adjustments that were not made to correct prior year balance. We communicated these to personnel and it was the intention to record them by the end of the fiscal year.

10. School Lunch

Prior Year Comment:
The School Food Service Program generates program income from sales of lunches and breakfasts. These funds, along with federal and state reimbursements, are accumulated in a revolving fund as authorized by Chapter 548 of the Massachusetts General Laws. Proper controls should be in place to adequately account for revenues deposited from sales of meals.

The School Food Service Program uses a point of sale system at 13 of its 15 schools. Six of the elementary schools recently implemented the point of sale system to account for the meals served and revenue collected. Our tests of the reports at the schools indicated that the point of sale system is not being fully utilized at the schools. Several schools do not report the amount of revenue received in the drawer at the end of the last lunch period, and the schools do not reconcile the potential revenue collected to the actual revenue deposited. Also, there is no review at the Food Service Director's office to reconcile potential sales to the actual amount deposited.

We recommend that the personnel operating the registers at the school level be properly trained and that the point of sale system be fully utilized. Register operators should report the actual revenue in the drawer at the end of the last lunch period each day. Administrative personnel should review the reports generated from the schools and investigate any large discrepancies. Furthermore, we recommend that funds awaiting deposit into the City Treasury be properly safeguarded.

Status- Fiscal Year 2014 Audit:
Additional training has been provided to personnel operating the registers at the schools and procedures have been implemented in the School Food Services Department at the schools to reconcile the actual revenue deposited to the potential revenue collected and for review by the Food Services Director's office of the daily sales reports from the schools to the amount deposited.

11. GASB Statement No. 40 – Deposit and Investment Risk Disclosures

Prior Year Comment:
GASB 40 – "Deposit and Investment Risk Disclosures" requires detailed disclosures for cash deposits and investments in the City's financial statement. As part of the requirements is disclosure of the City's investment policies regarding various risks associated with cash deposits and investments with custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The City's current policies and procedures do not specifically address the risks of GASB 40 statement.

We recommend that the City become familiar with the requirements of GASB 40 and adopt policies and procedures into the City's investment policy in relation to the specifics of GASB 40.

Status- Fiscal Year 2014 Audit:
The City has reviewed their current investments and has taken our comment under advisement.

12. Review Indirect Costs for Enterprise Funds

Prior Year Comment:
The City maintains two enterprise funds (water and sewer). As part of maintaining enterprise funds the City charges the enterprise funds for indirect costs of the City (i.e. insurance, interdepartmental support). As part of the audit we review the indirect costs and have found them to be proper. However, it has been several years since the City has reviewed the policy and framework of the indirect costs. We recommend that City review the indirect cost framework and to establish a written internal policy.

Status- Fiscal Year 2014 Audit:
The City has taken our recommendation under advisement and will review during the fiscal year 2016 budget process.

13. Establish Internal Audit Function

Prior Year Comment:
Currently, the City does not perform regular departmental internal audits. Massachusetts General Laws provide powers and duties to the City Auditor to perform internal audit functions, including examining records of all departments responsible for receiving and expending funds. Internal audits compliment the independent audit and will provide important oversight over departmental accounting records throughout the year.

We recommend the City Auditor perform periodic internal audits of the Cities departmental records. This will result in improved oversight and should reduce the risk of errors and irregularities from occurring and going undetected.

Status- Fiscal Year 2014 Audit:
The City Auditor has started to implement internal audits. In fiscal year 2014 the City Auditor started with the Gold Course Operations. We encourage the City to continue with this practice.

14. Risk Assessment and Monitoring

Prior Year Comment:
When internal controls are initially implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and service, can add risks that previously did not exist. As a result, all municipalities should periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. The City, like most Massachusetts municipal organizations, does not adequately perform this assessment.

The fraud risk assessment can be formal or informal, and should be performed by a management-level employee who has extensive knowledge of the City's operations. Ordinarily, the management-level employee would conduct interviews or lead group discussions with personnel who have extensive knowledge of the City's operations, its environment, and its processes. The fraud risk assessment process should consider the City's vulnerability to misappropriation of assets. When conducting the assessment, the following questions should be considered.

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriations of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?

Specific areas which should be assessed and documented are as follows:

- Cash collected at a decentralized location (outside City Hall)
- Accounts Payable
- Payroll
- Inventory of City assets, such as computer technology

Once the areas vulnerable to fraud have been identified, a review of the City's systems, procedures, and existing controls related to these areas should be conducted. The City should consider what additional controls (if any) need to be implemented to reduce the risk.

After the risk has been assessed and controls implemented the City should periodically monitor these controls to evaluate the operational effectiveness.

Status- Fiscal Year 2014 Audit:
As of the date of our audit the City has not implemented procedures to monitor and assess their internal controls on a periodic basis. We recommend that the City Auditor determine the City's significant financial transactions. Once these are determined they should review the current policies and procedures of internal control over these transactions and determine if they are adequate. For instance, departmental permits maybe classified as a significant transaction. The City would review this area to determine if the source documentation maintained by the department supports the revenue collected for the use/participation of that that particular activity. This process could be part of the internal audit function as noted above.

APPENDIX B

B-1

TOWN OF XXXX, MASSACHUSETTS

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2014

TOWN OF XXXX, MASSACHUSETTS

Management Letter

Year Ended June 30, 2014

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To the Honorable Select Board
Town of XXXX
XXXX, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Town of XXXX as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of XXXX's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control:

A significant deficiency was identified as Items 2014-1 and 2014-2.

Also, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This report is intended solely for the information and use of the management, the Select Board, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

August 22, 2014

CURRENT YEAR COMMENTS AND RECOMMENDATIONS - SIGNIFICANT DEFICIENCY

Finding 2014-1: Cash and Investment Reconciliation

Comment:
The Treasurer's office and Accountant's office is responsible to complete timely reconciliations of activity and balances of the cash and investments. We cannot emphasize enough the importance of the timely and accurate reconciliations of cash and investments in order to have an effective system of internal controls.

Internal control procedures should be designed in a manner that ensures all activity is recorded in the cashbook prepared by the Treasurer as the transactions occur. At the same time as the activity is being posted to the cashbook a corresponding posting would be made to the general ledger maintained by the Accountant's office. The cashbook balance and the general ledger cash balance must match at all times. At the end of each month the Treasurer would complete a reconciliation between the cashbook and bank statements. The Treasurer and Accountant would then reconcile the cashbook and the general ledger shortly thereafter.

During our audit (fiscal year 2014) we noted that individual bank statement reconciliations were not being performed properly with reconciling items documented and reconciled to the Treasurer's cashbook. Furthermore, an effective and periodic reconciliation of the Treasurer's records to the Town Accountant's general ledger was not being completed. A cash variance of approximately $15,000 exists at June 30, 2014 between the Treasurer's records and Accountant's general ledger.

The absence of having timely and proper procedures in place to reconcile Treasurer's records to the Accountant's general ledger significantly increases the risk that misstatement due to error or fraud may occur and not be detected, prohibits the safeguarding of assets and does not provide for accurate a timely financial reporting.

We cannot emphasize enough the importance of the timely reconciliation of cash and investments in order to have an effective system of internal controls. We strongly recommend management closely monitor this situation to ensure that cash and investments are reconciled in a timely manner between the Treasurer's records and the Town Accountant's general ledger. Also, individual bank reconciliation's are performed monthly with all reconciling items properly documented.

Finding 2014-2: Internal Controls Over Financial Reporting

A system of internal control over financial reporting includes the design and implementation of policies and procedures deemed necessary by management to provide reasonable assurance that the Town's financial information is fairly presented. The following are two critical assertions that underlie the Town's financial information:

- *Completeness*
  All transactions and other events and circumstances that occurred during a specific period and that should have been recognized in that period have, in fact, been recorded.

- *Accuracy, Valuation, or Allocation*
  Asset, liability, revenue and expenditure components are recorded at appropriate amounts in conformity with relevant and appropriate accounting principles. Transactions are mathematically correct and appropriately summarized and recorded in the entity's books and records.

The reliability of financial reporting is one of the key elements used by management to achieve its desired objectives and meet internal and external responsibilities. As part of performing audit risk assessment procedures to understand the attitudes, awareness and actions of management concerning internal control and its importance in achieving reliable financial reporting, we noted the following:

- Variances exist between the general ledger revenue and expenditure control accounts and the detail sub-ledgers of the revenues and expenditures for the general fund. Furthermore, we noted different amounts were used for the schedule A (year-end Department of Revenue reporting document) for revenues, expenditures, other financing sources and uses than what the general ledger reports were stating. We could not locate proper supporting documentation for several amounts used on the Schedule A.

- During our audit we reviewed journal entries made to the general ledger. We noted that a journal entry book is maintained, however we could not locate supporting documentation for several entries made to the general ledger. To maintain a good internal control system all entries made to the general ledger should be supported by proper documentation. We recommend that the journal entries have supporting documentation and that this documentation be filed with the journal entry book.

- Overlay surplus for $24,230 was utilized as a funding source for a 2014 appropriation. We could not find that this amount was set-up as a reserved fund balance in the general fund. We have proposed an adjustment that would lower the amount of free cash certified by DOR for fiscal year 2014 and as such the Town should take this into account for future planning on use of free cash.

- We noted that there was no procedure to reconcile the authorized town meeting votes, the tax recapitulation sheet, budget transfers and budget of the expenditure and revenue subsidiary ledgers. The lack of not having these procedures in place can lead to a situation in which appropriations are overdrawn, expenses paid from incorrect line items and department heads and management not having accurate information to maintain operating efficiency.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Payroll Withholdings

Comment:
During our audit we noted that payroll withholding account balances are not being properly reconciled. Because these accounts have significant annual activity and carry with them statutory tax liabilities, among other responsibilities, we recommend that these accounts be accounted for accurately and consistently. A proper and timely reconciliation of payroll withholdings would minimize and control potential discrepancies from occurring.

We recommend that all withholding accounts be reconciled monthly to the applicable governmental regulations and source documents to insure that proper employee contributions are being made and relieved. Furthermore, we noted that the Town changed procedures in April 2014 for how they account for payroll withholdings by not accounting for all payroll withholdings activity in the general ledger. The controls over accounting for payroll withholdings will be done through the cash reconciliation process. This is a common procedure and practice among smaller municipalities. We recommend that the Town change this procedure and account for all payroll withholdings on the general ledger. This will increase oversight and improve internal controls with regards to payroll withholdings.

2. Capital Assets

Comment:
GASB No. 34 requires that capital assets be on the financial statements for tier 3 governments starting in fiscal year 2004. The Town in previous audits has compiled a list of capital assets and was in compliance with GASB No. 34. During our audit we tested the capital assets and found that the Town did not keep adequate records with regard to additions, deletions and depreciation. Also the Town has no formal policy and procedures on capital assets.

We recommend that the Town adopt a formal policy and a procedure with regard to capital assets. Having a policy and a procedure in place will insure that all capital assets are being accounted for under the financial reporting model of GASB # 34.

3. Record all Receivables in General Ledger

Comment:
During our audit we noted that the Town does not record accounts receivables for the septic loan program, veteran benefits, rent on Tilton farm and Chapter 90 (highway). To establish an effective and sound internal control system we recommend that these accounts receivable be recorded on the general ledger. Also, as with all receivables, they should be periodically reconciled to source documents.

4. Review of Departmental Receipt Procedures

Comment:
Various departments of the Town receive cash and check payments from customers in the normal course of operations. Cash transactions, by nature, have a higher degree of inherent control risk and require the establishment of additional preventive controls to safeguard against loss. The Town should establish and disseminate uniform policies and procedures for the handling of receipts by all departments. Issues to be considered include:

- Maintaining receipt logs with reference to source documentation,
- Maintaining pre-numbered receipt books,
- Maintaining an audit trail over remittances to the Treasurer's Office,
- Establishing policies for frequency of remittance,
- Establishing policies for breakdown of currency and checks on a Standardized Turnover Sheet,
- Account reconciliations between the Treasurer's and Accountant's office with Town Departments, and
- Security of receipts on hand during Town business hours and overnight.

We recommend that the Town review and modify, if necessary, the uniform policies and procedures over the receipt function pertaining to various departmental receipts. The Town should monitor departmental compliance with established procedures on a periodic and continual basis. All department heads should review established procedures and document their understanding of the relevant cash receipt control activities.

5. Collector and Treasurer Surety Bond Amounts

Comment:
The Treasurer and Collector positions currently have surety bond amounts of $25,000 and $50,000, respectively. The current recommend bond amount, as outlined in the Massachusetts Collector and Treasurer's manual, applicable to the Treasurer and Collector for the Town of XXXX would be a $100,000 each. We recommend that management review this situation to determine if the surety bond amount should be increased.

6. Payroll

Comment:
During our audit we reviewed and tested the Town's payroll procedures. We noted the following:

- We noted that not all employees are signing the timesheets indicating that they have worked hours indicated. One of the key controls in the payroll process is having the employee sign the timesheet as an acknowledgement that have worked the hours indicated We recommend that the Town review this matter and implement the necessary procedures to ensure that this control is being done.

- We found adequate documentation missing from employee in personnel files. For instance, forms W-4 and I-9 and pay rates.

- Reconciliation of tax reporting forms (941's and W-2's) was not done. We noted a variance with taxable wages reported on form W-2's and forms 941 for calendar year 2014.

- During our audit we found retirement was inaccurately calculated for several employees. For instance, vacation and sick pay amounts were not included in the retirement calculation. Furthermore, we could not verify several employees were eligible for being part of the County retirement system based on the number of hours worked each week. We recommend that the Town review all employee positions to ensure retirement in being calculated accurately and that each employee is eligible for participation in County retirement system

- During our testing of payroll we noted that the employee deduction for the health insurance premium was not being accurately calculated. We recommend that the Town review the method of calculation for the employee health insurance deduction.

- Compensated absence (unused sick and vacation) should be accounted for as part of payroll system.

7. Financial Policies and Procedures Manual

Comment:
Internal control is defined as "a process – effected by those charged with governance, management and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The components of internal control apply to all entities, although smaller entities may implement them differently from larger entities. The controls in a smaller organization, such as the Town of XXXX, may be less formal and less structured, yet the objective of small and large organizations should be the establishment of effective internal control. Internal control consists of five interrelated components:

- The Control Environment
- Risk Assessment
- Information and Communication Systems
- Control Activities
- Monitoring

In order to improve and maintain the existing system of internal controls, the Town should consider documenting the policies, procedures and controls over key financial transactions, which have been in place and relied upon over the years. The Financial Policies and Procedures should include an investment policy, a personnel policy (of which the Town has), a risk assessment policy, and a formal documentation of the detailed financial reporting policies and procedures. A written Financial Policies and Procedures Manual will help improve the efficiency and consistency of transactional processing and establish responsibilities for specific duties.

Auditing standards currently in effect require auditors to consider and evaluate what the auditee is doing internally as part of an ongoing "Risk Assessment Process." Part of the assessment includes a review of available, documented policies and procedures. We recommend the Town develop and document a Financial Policies and Procedures Manual. The documentation should describe relevant procedures as they are intended to be performed and explain the design and purpose of control-related procedures, including your risk assessment process with regard to financial reporting.

8. Other Areas

- Older outstanding tax receivable levies.
- GASB statement 45 – OPEB.
- Implementation of future GASB statements (GASB no. 65 and 68).
- Improve timeliness of free cash certification and year-end reporting.
- Segregate Non-Expendable and Expendable trusts.
- Print and retain as permanent record the general ledger.
- Reconcile police fire-arm license account.
- Centralize procurement records.
- Remove tax possession from tax rolls.
- Issuance of IRS form 1099's.

APPENDIX C

YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947-2004) ◆ RANDY S. WATSON ◆ G. LANCE MCGAUGHEY
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

C-1

System Review Report

October 16, 2012

To the Members of Scanlon & Associates, CPAs
and the Peer Review Committee of the Massachusetts Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Scanlon & Associates, CPAs (the firm) in effect for the year ended May 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Scanlon & Associates, CPAs in effect for the year ended May 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Scanlon & Associates, CPAs has received a peer review rating of pass.

Yanari Watson McGaughey P.C.

Yanari Watson McGaughey P.C.

9250 EAST COSTILLA AVENUE, SUITE 450
GREENWOOD VILLAGE, COLORADO 80112-3647
(303) 792-3020
FAX (303) 792-5153
web site: www.ywmcpa.com

APPENDIX D

Proposal for Auditing Services - City of Northampton, MA
FY16, FY17, FY18 Audits

All quotes to be lump sum

All prices to be level funded for three years

Audit Type	FY16	FY17	FY18	TOTAL
Basic Financial Statements - these should include: Basic Financial Statements, Management Letter and requirements to comply with Single Audit Act	$ 47,000.00 (A)	$ 47,000.00 (A)	$ 49,000.00 (A)	$ 143,000.00
Federal Audits:				
Smith Vocational and Agricultural High School - Title I	$ 1,400.00	$ 700.00	$ 1,400.00	$ 3,500.00
Smith Vocational and Agricultural High School - School Lunch		$ 1,400.00		$ 1,400.00
Smith Vocational and Agricultural High School - SPED Grants	$ 1,400.00	$ 700.00	$ 1,400.00	$ 3,500.00
Northampton Public Schools - Title I	$ 1,400.00	$ 1,400.00	$ 1,400.00	$ 4,200.00
Northampton Public Schools - School Lunch		$ 1,400.00		$ 1,400.00
Northampton Public Schools - SPED Grants	$ 1,400.00	$ 1,400.00	$ 1,400.00	$ 4,200.00
CDBG	$ 2,800.00	$ 2,800.00	$ 2,800.00	$ 8,400.00
School End of Year Reports:				
Northampton Public Schools	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 13,500.00
Smith Vocational and Agricultural High School	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 13,500.00
TOTAL:	$ 64,400.00	$ 65,800.00	$ 66,400.00	$ 196,600.00

(A) - Includes a fee of $5,000 for FY 16 and FY17 and $6,000 for FY 18 for GASB 67/68 retirement system

D-1

APPENDIX E

E-1

ATTACHMENT B

CITY OF NORTHAMPTON
REQUEST FOR PROPOSALS
FOR AUDITING SERVICES

Proposal Submission Forms

CERTIFICATE OF NON-COLLUSION

The undersigned certifies under the penalties of perjury that this bid or proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the work "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity, or group of individuals.

(Signature of person signing bid or proposal)

Scanlon & Associates, LLC

(Name of Business)

CERTIFICATE OF TAX COMPLIANCE

Pursuant to Chapter 62C of the Massachusetts General Laws, Section 49A (b),

I, Thomas J. Scanlon Jr, authorize signatory for Scanlon & Associates, LLC do hereby certify under the pains and penalties or perjury that said contractor has complied with all laws of the Commonwealth of Massachusetts relating to taxes.

Contractor

By:

(Signature of Authorized Representative)

Managing Partner

(Title)

August 21, 2015

(Date)

CITY OF NORTHAMPTON
MASSACHUSETTS

CONTRACT
FOR
Auditing of FY16-FY18

THIS AGREEMENT, executed this _____ day of _____ 2015 by and between Scanlon & Associates, 8 Tina Drive, South Deerfield, MA 01373, hereinafter called "Vendor" and the City of Northampton, a municipal corporation in the County of Hampshire, Commonwealth of Massachusetts, party of the second part hereinafter called "Owner".

WITNESSETH, that for the consideration hereinafter mentioned, the Owner and the Vendor shall agree to the terms and conditions contained in this contract, enumerated as follows: The Owner-Vendor Agreement, Bidding Documents, Contract Forms, Specifications contained in Northampton RFP for Auditing Services dated July 31, 2015 and proposal of Scanlon & Associates. In the event of a conflict the RFP controls. and all addenda issued prior to and all Modifications issued after execution of the Contract.

THE OWNER shall pay the Vendor for the performance of this contract in the sum of **Not to exceed $65,533 annually** in accordance with the terms of this contract.

This contract shall not be altered in any particular without the consent of all parties to this contract. All alterations to this contract must be in writing and authorized as such by the Mayor and a Majority vote of the Board, Agency, or Committee signing this contract.

The Vendor shall not delegate, assign or transfer any of its duties delineated in the scope of services without prior written consent from the CITY.

In the event the Vendor is a corporation a certificate that the person executing this contract is duly authorized to sign, must accompany this contract.

Notwithstanding anything in the Contract documents to the contrary, any and all payments which the City is required to make under this Contract shall be subject to appropriation or other availability of funds as certified by the City Auditor. Obligations for payments beyond the current fiscal year are subject to appropriation and this Contract shall be canceled in the event of non-appropriation.

Final payment on this contract shall release and discharge the Owner from any and all claims against the Owner on account of any work performed hereunder, or any alteration hereto.

The Vendor shall indemnify and hold harmless, the CITY and all of its officers, agents, and employees against all suits, claims or liabilities of every nature, arising out of, or in consequence of, the acts or omissions of the Vendor, its employees, agents, or sub-contractors in connection with their rendering of services or goods under this AGREEMENT and will, at the Vendor's own cost and expense, defend any and all such suits and actions

By signing this contract the Vendor agrees to subject any dispute to mediation, at the option of the City, prior to filing suit in any forum.

This contract shall be deemed to be a Massachusetts contract and its interpretation and construction shall be governed by the laws of Massachusetts and the Charter and Ordinances of the Owner.

The provisions of this contract are severable. If any provision of this contract shall be held unconstitutional by any court of competent jurisdiction, the decision of such court shall not affect any other provisions of this contract.

The City of Northampton is not bound by this contract until approved by the Mayor of Northampton.

Pursuant to M.G.L. Chapter 62C, Section 49A, I certify under the penalties of perjury that I have, to my best knowledge and belief, complied with the law of the Commonwealth relating to taxes, reporting of employees and contractors, and withholding and remitting child support. I further authorize the City of Northampton to deduct from the amounts due under this contract, any overdue taxes, real or personal, or any other fees due to the City of Northampton from the vendor which become due and payable by the vendor or its officers, directors or agents during the term of this contract or until the final amounts due under this contract are paid in full.

Check one: The vendor does ☐ not ☐ have a Northampton office.

IN WITNESS WHEREOF the Owner caused these presents to be signed in quadruplicate and approved by David Narkewicz its Mayor and the said Vendor has caused these presents to be signed in quadruplicate and its official seal to be hereto affixed by its officer or agent thereunto duly authorized (by the attached corporate resolution). This instrument shall take effect as a sealed instrument.

Vendor: Scanlon & Associate
Vendor

JM/ Scanlon V it's
Authorized Signatory

Managing Partner — 9/28/15
Title — Date

Certificate by Corporation to Sign Contract This form not applicable

At a duly authorized meeting of the Board of Directors of the _____
(Name of Corporation)

held on _____.
(Date)

At which all the Directors were present or waived notice, it was voted that, the Authorized Signatory of this company, be and he hereby is authorized to execute contracts and bonds in the name and behalf of said company, and affix its Corporate Seal thereto, and such execution of any contract or obligation in this company's name on its behalf by such officer under seal of the company, shall be valid and binding upon this company,

A TRUE COPY,

ATTEST: _____
(Clerk)

Place of Business _____

_____

Date of this Contract _____

CITY OF NORTHAMPTON:

BY: City Council
Northampton's Board or Commission

Jesse M. Adams
William H. Dwight
Alisa F. Klein
Marianne L. LaBarge
David A. Murphy
Ryan R. O'Donnell
Gina Louise Sciarra

Date

Date
Chief Proc. Officer, approved as to form and c. 30B compliance

Date 10-16-15
City Auditor, approved as to appropriation.

Date 10-19-15
Mayor David Narkewicz

CITY OF NORTHAMPTON

REQUEST FOR PROPOSALS

FOR

AUDITING SERVICES

The City of Northampton, Massachusetts invites qualified, independent public accountants, licensed to practice in the Commonwealth of Massachusetts, to submit proposals to conduct an audit of its financial accounts and records in accordance with the specifications listed below.

I. INFORMATION FURNISHED TO PROPOSER

A. GENERAL INFORMATION

1. Per the City's Charter, "*The city council shall annually provide for an outside audit of the books and accounts of the city to be conducted by a certified public accountant or firm of certified public accountants, which has no personal interest direct or indirect, in the fiscal affairs of the city or any of its officers. The mayor shall annually provide to the city council a sum of money sufficient to the estimated cost of conducting the audit as presented to the mayor, in writing, by the city council. The award of a contract audit shall be made by the city council on or before September 15 of each year. The clerk of the council shall coordinate the work of the individual or firm selected. The report of the audit shall be filed in final form with the city council not later than March 1 in the year following its award*".

2. The city government consists of the following elected positions: mayor, city council, city clerk, public school committee, and board of trustees for the Smith Vocational and Agricultural School.

   As chief executive officer, the Mayor appoints, subject to city council approval, all other principal executive officers of the city. The Mayor is responsible for the administration of the fiscal and other affairs of the city with the exception of local school affairs, which are administered by the School Committee.

   The City Council consists of nine members; seven ward councilors and two at-large councilors each serving a two year term. The city is divided into seven wards with a roughly equal number of voters in each ward. The city council is the legislative body for the city and is responsible for adopting the budget as prepared by the mayor and for adopting city ordinances.

The City provides general governmental services including police and fire protection, water and sewer services, including a water treatment facility, wastewater treatment facility, street maintenance, parks, recreational facilities and education for grades kindergarten though twelve. The current work force of the City is approximately 990 FTEs equivalent to approx. 1,100 employees.

The City provides for two school districts and education is the single largest spending category within the budget. Northampton Public Schools consist of four elementary level schools for grades kindergarten through grade 5; a middle school for grades 6 – 8 and a high school for grades 9 – 12. The city also has a funding commitment for Smith Vocational and Agricultural High School located within city limits. The financial and organizational structure of Smith Vocational presents unique challenges for the city. Like other vocational schools in the state, SVAHS provides educational services to surrounding communities; however, unlike other vocational schools, the monies paid to the school are derived from state Chapter 70 formulas and tuition from sending communities.

The Northampton Public School Committee members consists of two (2) at-large school committee members, seven (7) ward school committee members, and the Mayor who serves as the committee's chair. The School Committee has exclusive jurisdiction over the city's public school system and appoints a superintendent to administer the day-to-day affairs of the school system.

The Smith Vocational School is governed by a Board of Trustees consisting of three elected trustees, the mayor, and the city public school system superintendent.

Additional information regarding the City is also available on the City's website www.northamptonma.gov.

B. THE CITY'S BUDGET

1. The City's annual budget is $103,087,380 and is comprised of an $87,903,856 General Fund and Enterprise Funds for Water ($6,617,188), Sewer ($6,074,067), Solid Waste ($517,593) and Storm Water ($1,974,676).

2. The fiscal year 2014 audit was performed by Scanlon & Associates, LLC and the firm is under contract to complete the fiscal year 2015 audit. The opinion for FY 2014 is unmodified. The 2014 audit report and management letter are available on the city website at http://northamptonma.gov/739/Annual-Audits or by request to Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060.

3. The City maintains its general ledger in accordance with the Massachusetts Uniform Municipal Accounting System established by the Bureau of Accounts on a modified accrual basis. Most financial records of the City have been converted to an automated system (Munis). Cash, Accounts Receivable and Interdepartmental reconciliations will be made by the City at year-end.

C. NATURE OF SERVICES REQUIRED

1. The firm is to conduct an examination of the City's basic financial statements to ensure compliance with relevant state statutes and city ordinances. This examination is to be performed in accordance with generally accepted auditing standards applicable to financial audits contained in the most recent *Government Auditing Standards*, issued by the Comptroller General of the United States. These audits shall be provided annually for fiscal years ending June 30, 2016, 2017 and 2018.

2. In addition to the financial audit, the firm is to conduct an audit in accordance with the Single Audit Act of 1984 (P.L. 98-502), as codified in Chapter 75 of Title 31 of the United States Code and the regulations established to implement this law by the Director of the Office of Management and Budget OMB Circular A-133. This compliance audit shall be provided annually and will cover the fiscal year ending June 30, 2016, 2017 and 2018. The auditor shall be responsible for filing the Single Audit with the Federal Audit Clearinghouse.

3. The firm is to conduct an End of Year audit of the Northampton Public School District and Smith Vocational and Agricultural High Schools' financial records, to include using the Department of Elementary & Secondary Education Compliance Supplement.

4. The firm is to examine records and methods of record keeping of the City and Schools providing assurance of compliance with all federal funding and grant program requirements. These audits will include Title I and SPED Grants at Northampton Public Schools and Smith Vocational and Agricultural High School and the Community Development Block Grant Program for the City. Audits of the School Lunch program at each school district will be necessary in FY 2017 only as they are conducted every three years (last conducted in FY 2014).

5. In addition to the examination of internal controls, the firm shall also examine a minimum of four (4) and a maximum of six (6) separate departments of the City government chosen by the City per audit year, including a written evaluation of those systems and recommended improvements of the same.

6. In addition to completing the annual audit, the accounting firm shall be available during business hours by phone and e-mail, throughout the contract period, to provide the City with advice and guidance on routine financial accounting and reporting issues. The accounting firm is also expected to keep the City abreast of the working requirements of all new accounting and financial reporting pronouncements of the Government Accounting Standards Board, the United States Office of Management and Budgets and the Commonwealth of Massachusetts.

7. It is expected that a management level member of the auditing team participate in Bond rating calls with the city's Finance Director.

8. Prior to the commencement of the audit, the firm's schedule of information needed from each department is to be submitted to the Finance Director. In addition, the auditing team will hold an entrance conference with the Finance Committee and the Finance Director.

9. At the conclusion of each annual audit, a management level representative of the accounting firm will be expected to appear before the Mayor and City Council to discuss the findings resulting from the audit.

10. At the conclusion of the audit, all audit work papers are the property of the City and shall be retained for a period of at least seven years. Upon request, all work papers, preferably in electronic format, shall be provided without charge to authorized City personnel, and representatives of Federal or State Agencies in accordance with Federal Law, State Law and other regulations. Working papers will also be made available for examination, at charge, or duplication, at a reasonable charge, to subsequent auditors engaged by the City.

D. REPORT REQUIREMENTS

Prior to completion of the management letter, the firm shall meet with the Finance Committee and Finance Director to review the findings and recommendations in detail. Draft copies all reports and a management letter shall be reviewed and discussed at the meeting. Subsequently the accounting firm will be required to meet with the City Council to review the results of the audit.

The accounting firm will print, bind and submit as many copies of the aforementioned reports as is necessary to satisfy the City's reporting requirements to state and federal regulatory and oversight agencies plus 20 bound copies and 1 electronic version to the City.

Written reports that are required at the completion of the audit include:

1. An auditor's opinion as to whether the general purpose financial statements fairly represent the financial position of the City and the results of its financial operations in accordance with generally accepted accounting principles. In addition, the report must contain an auditor's opinion whether the supplemental statement of federal assistance presents fairly the actual grant data in relation to the general-purpose financial statements. The supplemental statement of federal assistance must show the total expenditures for each federal assistance program. All financial statements and notes presented in the audit shall be in conformity with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards and other applicable pronouncements.

2. An auditor's statement whether an internal control system exists to provide reasonable assurance that funds are managed in compliance with applicable laws and regulations. Further, the auditor's report must identify the City's significant internal accounting controls designed to provide for compliance. The auditor shall report the controls that were evaluated, and the material weaknesses identified, if any, as a result of the evaluation.

3. An auditor's statement on compliance with grant requirements. The statement shall include: a statement of positive assurance with respect to those items tested for compliance, including compliance with law and regulations pertaining to financial reports and claims for advances and reimbursements; a statement of negative assurance on those items not tested; a summary of all instances of noncompliance; and an identification of total amounts questioned, if any, for each federal assistance award, as a result of noncompliance.

4. A management letter, which shall identify any management weaknesses observed and the assessed effect on financial management. The management letter shall also summarize specific recommendations necessary to achieve compliance. The final copy of the management letter shall contain the City's printed responses for each finding.

5. An auditor's statement on compliance with school EOY report as required by the Massachusetts Department of Education compliance supplement.

E. TIMING

1. Qualified public accounting firms wishing to present the City of Northampton with a formal proposal for providing independent audit services for the next (3) fiscal years should forward (6) copies of their proposal to:

Pamela L. Powers

Administrative Assistant to the City Council
City of Northampton
210 Main Street, Room 16
Northampton, MA 01060

Not later than 12 noon (Eastern Standard Time) on Friday, August 21, 2015. All proposals must be in a sealed envelope and clearly marked, "City of Northampton Audit Services Proposal."

If you desire additional information please contact Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060 or by email @ ppowers@northamptonma.gov.

2. The audit contract award is scheduled on or about September 15, 2015 but is subject to change at the discretion of the City Council.

3. The anticipated date for which preliminary work may commence is May 15, 2016. No work is to commence prior to the full execution of the contract.

4. The draft reports will be reviewed with the Finance Committee and the Finance Director at an exit conference to be held no later than December 15.

5. The final annual audit reports will be completed by December 31 and a presentation of such reports will be made to the City Council at a mutually agreed upon time.

F. AWARD OF CONTRACT AND REJECTION OF PROPOSALS

1. Award will be based on a combination of price, experience and ability to complete the work in accordance with the schedule.

2. The firm must be willing to enter into the City's standard contract (attached) and include the signature page in the quote signed by an authorized signatory for the firm.

3. The City Council for the City of Northampton reserves the right to reject any or all proposals, waive minor informalities and to award the contract in the best interest of the City.

4. The City of Northampton reserves the right to accept a proposal which is not the lowest in price if the City Council deems it to be for the best interest of the City of Northampton.

5. The City of Northampton reserves the right to waive any informalities in the proposal process or in the proposals themselves.

6. The City of Northampton reserves the right to negotiate with any qualified vendor if the City Council deems it to be for the best interest of the City of Northampton.

7. The City of Northampton may reject any proposal which in its opinion is incomplete or contains conditions not called for, erasures not properly initialed or other irregularities.

G. CITY RESPONSIBILITIES

The City shall provide the auditors with reasonable workspace, desks, and chairs. The auditors will also be furnished access telephones, facsimile machines, and photocopying machines. Because of the limited office and conference room space, the City is unable to guarantee continuous use of any one room or a secure storage area for the auditor's equipment, papers, and other belongings.

The City's assistance to the accounting firm will be specifically limited to:

1. The City will provide worksheets and back-up documents required by the Department of Revenue for the certification of Free Cash.

2. Locating appropriate records (the pulling and filing of specific documents will be the responsibility of the accounting firm which will be required to re-file these documents in an orderly manner).

3. Meeting and conferences (by appointment, if necessary).

4. The City's fiscal year ends on June 30th. Preliminary financial and other records and reports will generally be available for audit by September 15th of the next fiscal year. Testing and review of internal controls may take place earlier at a mutually agreed upon time.

H. BILLINGS

Prices quoted shall include the cost of all labor, materials, insurance, and all other necessary expenses to fulfill the conditions of the contract. All travel costs to be incurred by the firm shall be paid by the firm. The City of Northampton will not pay for travel time or any travel related expenses.

Payments shall be made upon completion of services for each audit type.

I. OTHER PROPOSAL INFORMATION

1. If it becomes necessary to revise any part of this RFP, or otherwise provide additional information, an addendum will be issued by the City and furnished to all firms that have received copies of the original RFP.

2. All proposals become the property of the City and are subject to disclosure as required by Massachusetts General Laws.

3. The City is not liable for any cost incurred by the prospective firms in replying to this RFP.

4. Audit fees of prior years, the latest audit report, and management letter are available upon request.

II. INFORMATION REQUIRED FROM PROPOSER

In order to simplify the evaluation process and obtain the maximum degree of comparison, the City is requiring prospective firms to submit proposals in the format and manner prescribed in this section. Firms are cautioned that any deviation from this format may result in disqualification of their proposals.

A. TITLE PAGE

1. Project title.
2. Name of proposing firm.
3. Address and telephone number of proposing firm.
4. Name of contact person.
5. Date of submission.

B. LETTER OF TRANSMITTAL (Limit to one or two pages)

1. Briefly state the firm's understanding of the work to be done and make a positive commitment to perform the work within the required amount of time.

2. For Fiscal Years 2016 - 2018 summarize the fees for each year and state that the proposal is effective for one hundred twenty (120) days from the date of the opening of proposals.

3. The letter must be signed by the individual authorized to negotiate for and contractually bind the firm.

C. TABLE OF CONTENTS

Include clear identification of the submitted material by way of a Table of Contents that identifies contents by section and by page number. Such sections will be: "Professional Experience", "Proposer Approach to Audit", "Compensation", and "Additional Information". Content requirements are defined below.

D. PROFESSIONAL EXPERIENCE

1. Describe the local and/or regional office's audit experience with local governments (including the City of Northampton) in the last five years.

2. Identify the supervisors (e.g. partner, manager, auditor-in-charge) and the staff who are expected to work on the audit. Provide resumes (which may be included as appendices) showing relevant past experience, education, training, etc.

3. Describe the firm's participation, if any, in professionally sponsored quality control review of comparable programs.

4. List the names, contact information and service type provided to all Massachusetts municipalities during FY 2012, 2013 and 2014.

5. Provide two recent sample Management Letters the firm has written for its clients. Please omit the client's name and any other information which may be considered confidential in the submittal.

6. A "Certificate of Non-Collusion" and a "Certificate of Tax Compliance" is to be included with the proposal, as well as any other statutorily required documents.

E. PROPOSER'S APPROACH TO AUDIT

1. State the firm's understanding of the services to be performed and the work products to be provided as defined in Section I.C, "Nature of Services Required" and I.D, "Report Requirements" of this RFP.

2. Submit a work plan to accomplish the scope of services within the required time. The work plan should include time estimates by staff level for each of the significant segments of the work (planning, internal control, testing, and statements / reports) and the staff assigned to each segment. Include a brief discussion of the audit procedures to be used in the audit process for each segment.

F. COMPENSATION

Technical and price proposal content can be combined in one proposal as this service is M.G.L. 30B exempt. This fee shall include all costs for which the firm expects to bill the City, including clerical, indirect, or other costs.

The City requests the following format with regards to pricing:

Proposal for Auditing Services - City of Northampton, MA
FY16, FY17, FY18 Audits

All quotes to be lump sum
All prices to be level funded for three years

Audit Type	FY16	FY17	FY18	TOTAL
Basic Financial Statements - these should include:				
Basic Financial Statements, Management Letter and requirements to comply with Single Audit Act	$	$	$	$
Federal Audits:				
Smith Vocational and Agricultural High School - Title I	$	$	$	$
Smith Vocational and Agricultural High School - School Lunch		$		$
Smith Vocational and Agricultural High School - SPED Grants	$	$	$	$
Northampton Public Schools - Title I	$	$	$	$
Northampton Public Schools - School Lunch		$		$
Northampton Public Schools - SPED Grants	$	$	$	$
CDBG	$	$	$	$
School End of Year Reports:				
Northampton Public Schools	$	$	$	$
Smith Vocational and Agricultural High School	$	$	$	$
TOTAL:	$	$	$	$

The price proposal spreadsheet is available electronically; to receive a copy, send an e-mail to: ppowers@northamptonma.gov. Please, however, submit a completed paper copy with the firm's proposal.

G. ADDITIONAL INFORMATION

Provide any additional information, not specifically requested herein that firm considers necessary for effective evaluation of the proposal.

III. COMPARATIVE EVALUATION CRITERIA

The purpose of defining comparative evaluation criteria is to assist the evaluation committee in making decisions about the firm's overall qualifications, including technical abilities and previous experience. The City reserves the right to apply other qualifying criteria as defined elsewhere in this RFP, including completeness of the proposal package, and price.

The City of Northampton shall apply the following criteria in its evaluation of the

proposals presented for consideration.

1. Auditor Experience Level

   Highly advantageous- Firms who have more than 5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

   Advantageous- Firms who have 2-5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

   Not advantageous- Firms with fewer than 2 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

2. Audit Management Team Experience Level

   Highly advantageous- Firms whose Audit Manager/Partner assigned to audit has 20 or more years of experience auditing Massachusetts municipalities.

   Advantageous- Firms whose Audit Manager/Partner assigned to audit has 10 years but fewer than 20 years of experience auditing Massachusetts municipalities.

   Not advantageous- Firms whose Audit Manager/Partner assigned to audit has 5 years but fewer than 10 years of experience auditing Massachusetts municipalities.

3. Firm Municipal Audit Experience

   Highly advantageous-Firms who have completed 15 or more Massachusetts municipal audits each year for fiscal years 2011 through 2014.

   Advantageous-Firms who have completed 10 but fewer than 15 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

   Not Advantageous-Firms who have completed 5 but fewer than 10 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

4. Size of Municipalities Audited

   Highly advantageous- Firms who have experience auditing at least 5 Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

   Advantageous-Firms who have experience auditing at least 1 but fewer than 5 Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

   Not advantageous-Firms who have no experience auditing Massachusetts municipalities with greater than $50 million in General Fund revenues for fiscal years 2011 through 2014.

Questions can be directed to: Pamela L. Powers @ (413) 587-1210 or ppowers@northamptonma.gov