



TABLE OF CONTENTS

| | |
|---|----|
| YOUR NEEDS | |
| UNDERSTANDING & MEETING YOUR NEEDS..... | 4 |
| YOUR CHOICE: CRI | |
| FIRM PROFILE..... | 5 |
| GOVERNMENTAL CREDENTIALS..... | 6 |
| RELEVANT EXPERIENCE..... | 7 |
| YOUR SOLUTION TEAM..... | 9 |
| DELIVERING QUALITY TO YOU | 12 |
| WORKING TOGETHER: OVERVIEW | |
| SHARING CRI'S VALUES WITH YOU | 14 |
| TRANSITIONING YOU | 15 |
| JOINING OUR CONVERSATION..... | 16 |
| WORKING TOGETHER: DETAILS | |
| CRI AUDIT FRAMEWORK..... | 17 |
| CRI AUDIT APPROACH | 19 |
| CRI AUDIT APPROACH | 20 |
| PROPOSED AUDIT STRATEGY..... | 21 |
| PROPOSED AUDIT TIMING | 23 |
| | |
| APPENDIX | |
| APPENDIX A – PEER REVIEW | 25 |



UNDERSTANDING & MEETING YOUR NEEDS

From the RFP, we understood your team to express the following needs, requests, and/or issues. We've detailed our proposed solutions below and are happy to discuss other related projects as they arise and upon request.

| NEEDS & ISSUES | | SOLUTIONS & SERVICES |
|----------------|--|--|
| Technical | Management requires independent audits performed on the Unit's financial statements and related schedules in accordance with all applicable professional standards including OMB Circular A-133. | Perform external audit services in accordance with auditing standards generally accepted in the United States of America (GAAS), in order to express an opinion on the Unit's financial statements. |
| Technical | Management requires the auditor to prepare, type, and print the audited financial statements. | CRI will be responsible for preparing, typing and printing the audited financial statements. |
| Technical | Management requires the preparation of any schedules or budget compilation which may be required by the SEC Ruling 15c1212; preparation of the Calculation of the Debt Service Coverage Ratio; preparation of the Schedule of Expenditures of Federal and State Awards; preparation and submission of the Federal Data Collections Forms; assistance in efforts to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting; and guidance for new note disclosures. | CRI will be responsible for the preparation of any schedules or budget compilation which may be required by the SEC Ruling 15c12-12; preparation of the AFIR; preparation of the Calculation of the Debt Service Coverage Ratio; preparation of the Schedule of Expenditures of Federal and State Awards; preparation and submission of the Federal Data Collections Forms; assistance in efforts to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting; and guidance for new note disclosures. |
| Technical | Management requires reports on internal control and compliance in accordance with <i>Government Auditing Standards</i> ("the Yellow Book") and OMB Circular A-133. | CRI has numerous clients subject to the requirements of The Yellow Book and issues many reports on internal control and compliance annually. |
| Technical | Timing is important to the Unit and management, with specified dates for audit fieldwork and report delivery. | CRI commits to the schedule as outlined in the RFP for auditing services. |
| Relational | The Unit's management expects open and continuous communication with their CPA firm in order to avoid surprise findings at the end of the audit. | Communicate directly with the Unit regarding the results of our procedures and anticipate and respond to concerns of the Unit. |



FIRM PROFILE

1997

Year Founded

42

Offices

185

Partners

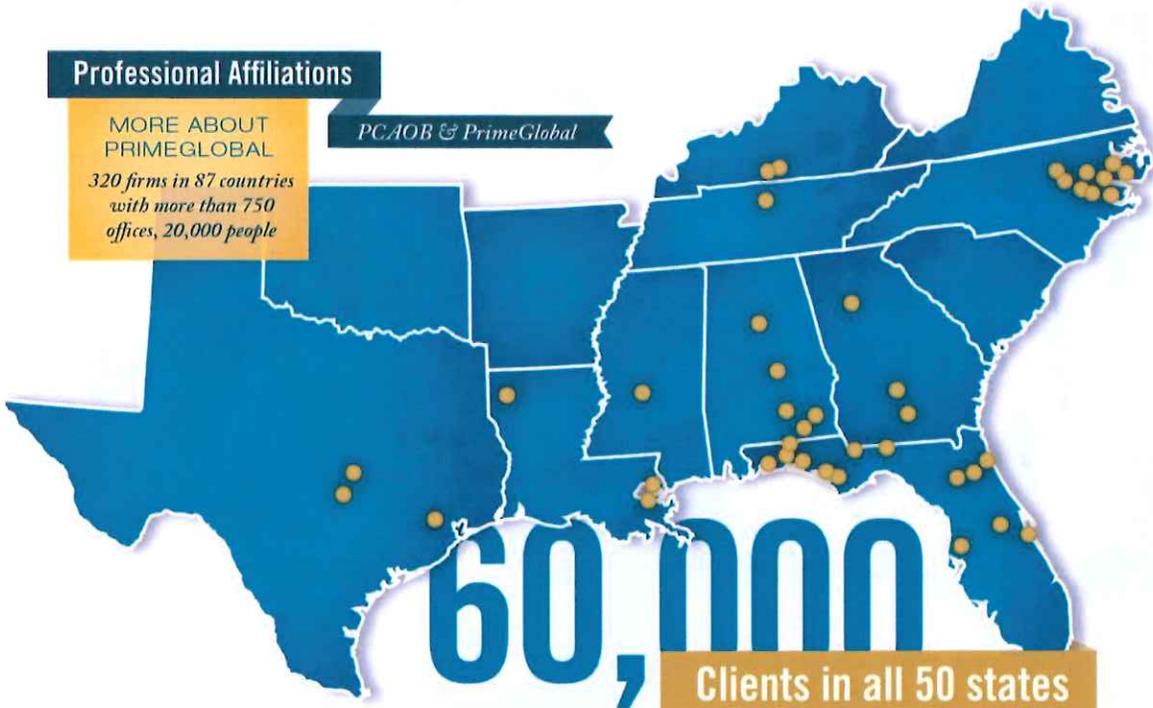
1200+

Professionals

Professional Affiliations

MORE ABOUT PRIMEGLOBAL
320 firms in 87 countries with more than 750 offices, 20,000 people

PCAOB & PrimeGlobal



60,000
Clients in all 50 states

plus Canada, Puerto Rico, and overseas military installations

Professional Organization Membership

- American Institute of Certified Public Accountants (AICPA) Alliance for CPA firms
- AICPA Private Companies Practice Section
- Center for Audit Quality (CAQ)
- Employee Benefit Plan Audit Quality Center of the AICPA
- Governmental Audit Quality Center of the AICPA
- Information Systems Audit and Control Association (ISACA)
- Institute of Internal Auditors (IIA)
- Public Company Accounting Oversight Board (PCAOB)

200

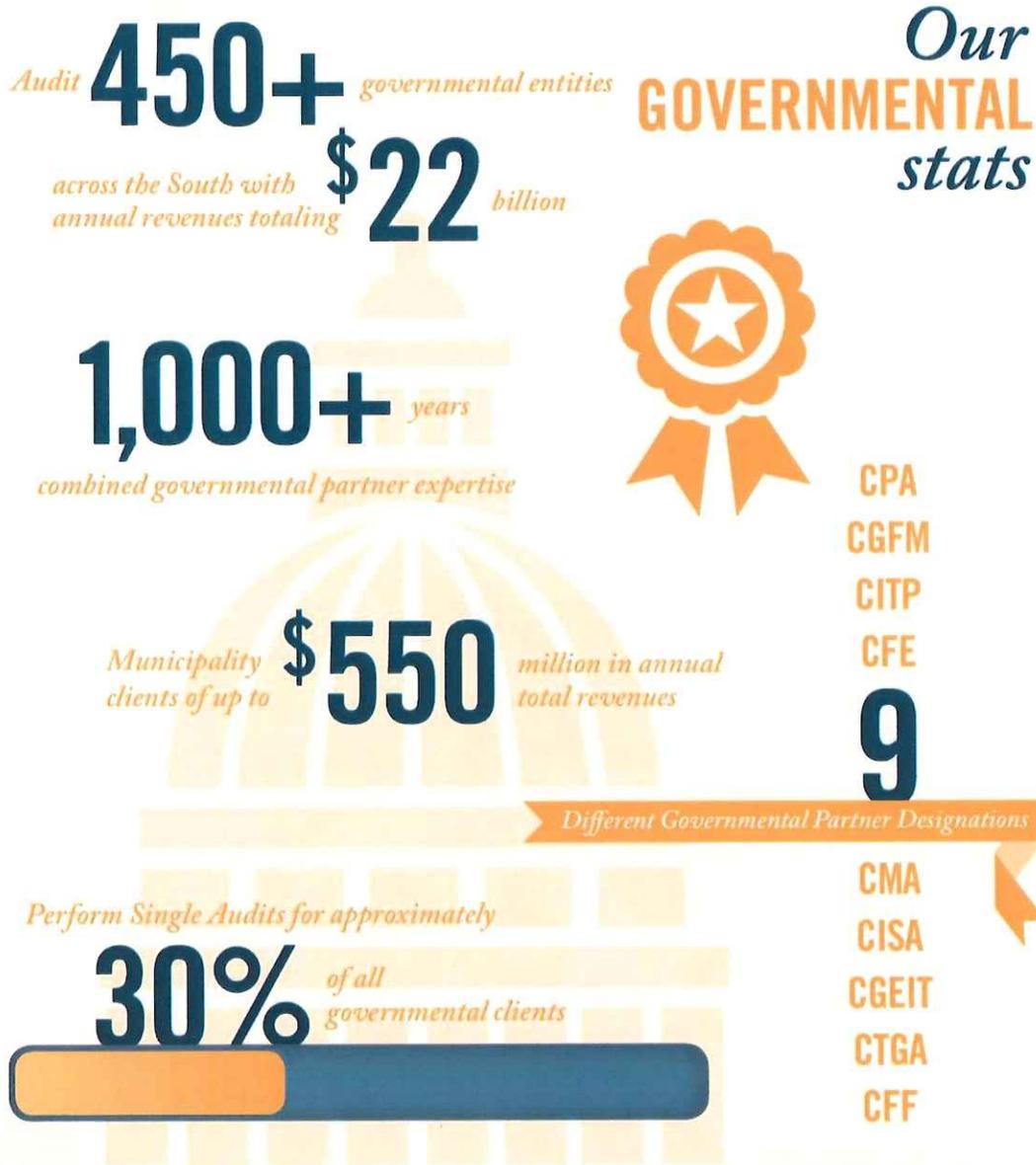
Total Partner Designations

- 24 are different*
- CPA CFE CISA
 - CIE PFS CTGA
 - ABV CVA CGFM
 - CFE CMA FAHM
 - CFF CAM MCSE
 - AEP MCP Cr.FA
 - CFE CITP CGEIT
 - CFP CFSA CCIFP

Current Ranking: 22nd in the U.S.



GOVERNMENTAL CREDENTIALS



During the 7 years we have worked with Carr, Riggs & Ingram, I have found that their team has tremendous expertise in local government financial operations. They have demonstrated a keen understanding of our risks and worked with our city officials to develop sensible solutions to mitigate those risks. Moreover, they have provided us with a number of suggested "best practices" in day-to-day operations and have helped document the way we do things. I can say without question that Carr, Riggs & Ingram has truly made a measurable difference for the City of Moultrie and its finance department. I would recommend them for any work for which they are under consideration.

*– Gary McDaniel, Finance Director
 City of Moultrie, Georgia*



RELEVANT EXPERIENCE

CRI delivers a depth of resources that ensures our understanding of your challenges and innovative solutions for overcoming them. Our governmental team's 1,100+ years of combined experience is derived from providing audit and accounting outsourcing services to a client base that includes:

- 450+ governmental entity clients across the South totaling approximately \$22 billion in total revenues,
- Perform single audits for approximately 30% of all governmental clients, and
- Municipality clients of up to \$550 million in total revenues.

We parlay this vast experience and derived best practices into proven solutions that benefit you.

Below we share specific, relevant client references; we encourage you to consult with them.

| RELATIONSHIP | TIMELINE | SERVICE DESCRIPTION | RELEVANT POINTS TO CONSIDER |
|---|-------------------|------------------------------------|--|
| Duplin County Teresa Lanier Finance Officer 910-296-2104 | 2000- Present | Financial and Compliance Audits | <ul style="list-style-type: none"> • Client service experience • Responsiveness to client needs • Long-term relationship |
| Onslow County David McCole Finance Officer 910-455-3404 | 1995- Present | Financial and Compliance Audits | <ul style="list-style-type: none"> • Client service experience • Responsiveness to client needs • Long-term relationship |
| Lenoir County Martha Martin Finance Officer 252-559-6464 | 1993 – Present | Financial and Compliance Audits | <ul style="list-style-type: none"> • Client service experience • Responsiveness to client needs • Long-term relationship |
| Martin County Cindy Ange Finance Director 252-789-4330 | 1985- Present | Financial and Compliance Audits | <ul style="list-style-type: none"> • Client service experience • Responsiveness to client needs • Long-term relationships |
| Currituck County Sandra Hill Finance Director 252-232-2381 | 1999- Present | Financial and Compliance Audits | <ul style="list-style-type: none"> • Client service experience • Responsiveness to client needs • Long-term relationship |

RELEVANT EXPERIENCE



Below is a listing of our current governmental clients indicating additional services CRI provides and the years of the engagement.

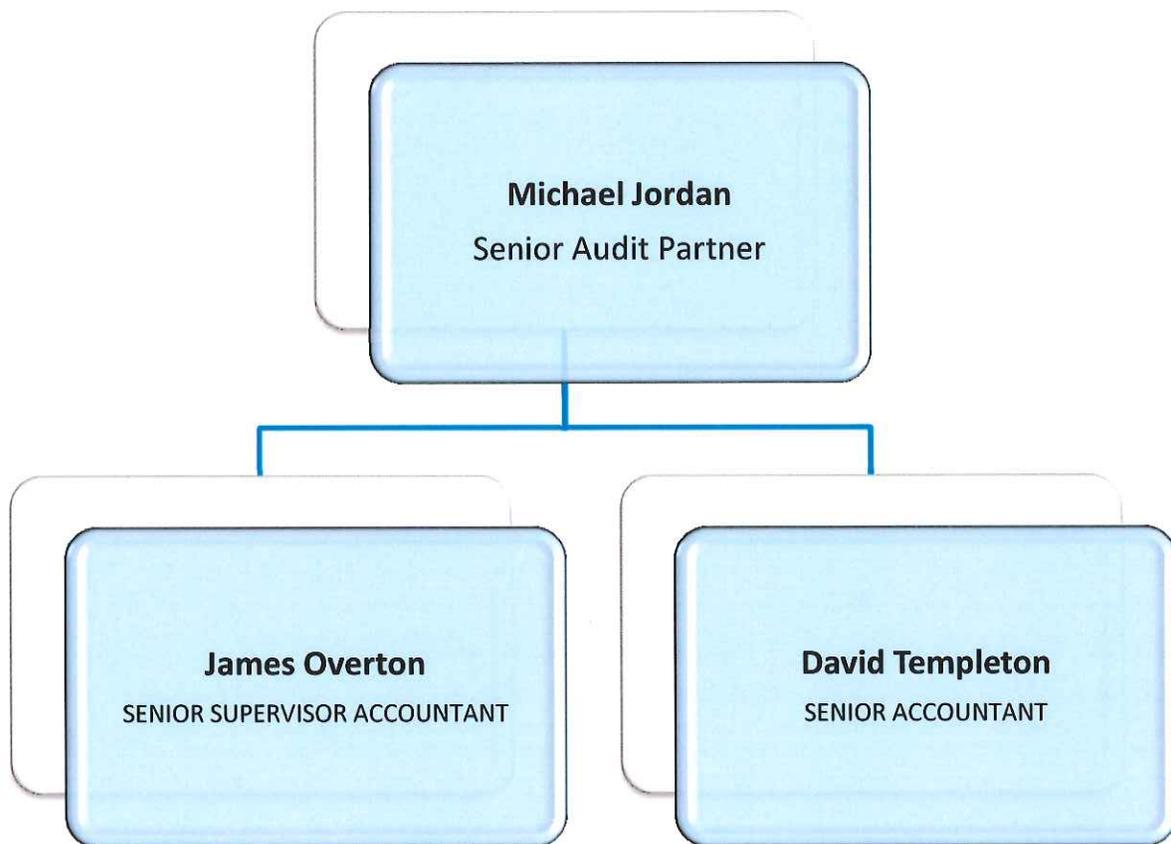
| RELATIONSHIP | SERVICE DESCRIPTION | YEARS OF ENGAGEMENT |
|---|---|---------------------|
| Bertie County | Audit | 1990 - Present |
| Carteret County Tourism | Audit | 2004-Present |
| Duplin County | Financial and Compliance Audits | 2000 - Present |
| Fork Township Sanitary District | Audit, Fixed Asset Management | 2008 - Present |
| Lenoir County | Financial and Compliance Audits | 1993 - Present |
| Martin County | Financial and Compliance Audits | 1985 - Present |
| Onslow County | Financial and Compliance Audits | 1995 - Present |
| Pitt County Board of Education | Audit, Agreed Upon Procedures | 2004 - Present |
| Sampson County Board of Education | Audit | 1990 - Present |
| Southern Wayne Sanitary District | Fixed Asset Management, Audit | 2007 - Present |
| Tyrrell County | Audit, Fixed Asset Management | 2008 - Present |
| Village of Walnut Creek | Fixed Asset Management, Audit | 2003 - Present |
| Washington County Board of Education | Audit | 2007 - Present |
| Wayne County Board of Education | Audit | 1990 - Present |
| Wayne Water Districts; which includes the following: Eastern Wayne Sanitary District Belfast-Patetown Sanitary District Northwestern Wayne Sanitary District Southwestern Wayne Sanitary District Southeastern Wayne Sanitary District | Audit, SEC Secondary Market Disclosure Reporting & Fixed Asset Management | 2008 - Present |
| Wilson County Board of Education | Audit | 1971 - Present |



YOUR SOLUTION TEAM

We have assembled a team of professionals who will ensure the highest level of personal dedication and professional excellence to you. Our team delivers exceptional services through a balanced blend of skills (service-driven, industry-specific, technical, and business) and experience that we know are important to you.

Brief profiles of each member of the team identified below follow on subsequent pages.



Continuing Professional Education (CPE)

- On an annual basis, each professional staff member attends CPE classes related to a variety of audit and accounting subjects, including specific hours related to governmental matters as required by the Yellow Book.

YOUR SOLUTION TEAM



Michael Jordan CPA
Senior Partner, NFP Engagement Partner

(919) 751-8297 phone
(919) 221-3086 mobile

mjordan@cricpa.com

Representative Clients

- Boy Scouts of America, Tuscarora Council
- Museum of the Marine
- O'Berry Center Foundation, Inc.
- Wayne Initiative for School Health, Inc.
- The Salvation Army, Goldsboro, NC
- Pitt County Board of Education
- Wayne County Board of Education
- Sampson County Board of Education
- Tyrrell County
- Village of Walnut Creek
- Eastern Wayne Sanitary District
- Belfast-Patetown Sanitary District
- Northwestern Wayne Sanitary District
- Southeastern Wayne Sanitary District

Experience

Michael has a love for education, whether it's educating a client about a new tax law or a new accounting or auditing standard. With more than 17 years of public accounting experience, he provides audit, review, and compilations services to many not-for-profit entities across eastern North Carolina and assists clients on many topics including compliance and reporting issues relating to net assets, endowments, and fair value reporting for investments. He also assists many North Carolina local governments with audits and specialty projects. In addition, he provides tax services to many not-for-profit entities, specifically Form 990 and 990-T.

Education, Licenses & Certifications

- BS, Methodist University
- Study of Accounting, North Carolina State University
- Chartered Global Management Accountant

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- North Carolina Association of Certified Public Accountants (NCACPA)

YOUR SOLUTION TEAM



James Overton,
CPA
Senior Accountant

(919) 988-6221 phone
joverton@cricpa.com

Experience

- 35 years of experience

Education, Licenses & Certifications

- University of North Carolina Chapel Hill
 - CPA 1983
 - Certified Local Government Finance Officer 2003
 - AICPA
 - NCACPA
 - Certificate of Excellence in Government Financial Reporting Every Year Since 1985
 - NC Government Finance Officer
 - Town of Roxboro Finance Director
 - Town of Knightdale Finance Director
 - Certificate of Achievement for Comprehensive Financial Reports: City of Oxford, City of Roxboro, Town of Knightdale
 -
-
-



DELIVERING QUALITY TO YOU

TECHNICAL TRAINING CRI'S CPE WEEK

You expect your service team to be up-to-date regarding hot topics in the following service areas:

- Accounting
- Attestation & Auditing
- Business Consulting
- Tax

Our firm professionals gather annually for "CPE Week," a continuing professional education series designed to provide needed technical updates to keep our teams informed of the latest from the various and relevant standard setters. Additionally, it provides a forum for our professionals to share best practices – ensuring that you receive the benefit of expertise from our firm's professionals.

LEADERSHIP TRAINING CRI'S LEADERSHIP ACADEMY

In today's world of constant communication, business skills are as important as technical expertise. Building the next generation of leaders is key to our success and essential for excellent client service. Therefore, we make a unique investment in our professionals through the CRI Leadership Academy, which is designed to provide training on the "soft skills" of business leadership including, but not limited to, teamwork, time and project management, business writing, communication, presentation, and our core values of client service, respect, and integrity.

OUR PEOPLE

The quality of a professional services firm is determined by its people and the firm's investment in them. To ensure the highest possible level of quality for every client, we employ carefully designed protocols for recruiting, developing, promoting, and supervising our staff. Our comprehensive, formalized training programs focus on five areas of development training: technical, leadership, ongoing, role/responsibility, and specialty.

ONGOING TRAINING

By virtue of the profession, accounting is an apprenticeship model. CRI's senior level management embraces this approach by leading and utilizing engagements teams that provide the proper mix of industry, service, and overall experience. This model ensures that all supervising, mentoring, and coaching are tailored to each individual's requirements and needed timetable.

SPECIALTY TRAINING

Just as every business is different, so are the accounting best practices for each industry and specialty service. Because of these differences, we deliver progressive training courses that address the current accounting issues affecting our clients served by our industry and specialty service teams, such as:

- | | |
|---------------------------------------|--------------------------------------|
| • Business Valuations | • SEC/PCAOB |
| • International Accounting & Tax | • Financial Institutions & Insurance |
| • IT Audit & Assurance | • Construction |
| • Employee Benefit Plan (EBP) Audits | • Governmental & Not-for-Profits |
| • Forensic Accounting | • Healthcare |
| • Service Organization Controls (SOC) | |

ROLE/RESPONSIBILITY TRAINING

In addition to basic technical and leadership skills, we know that our team requires specialized training for their individual responsibilities. So CRI has developed role-based training scenarios that include service-specific training and tools presented in a case study format. Our goal is to prepare all team members for their new level of responsibilities.

DELIVERING QUALITY TO YOU



AUDIT METHODOLOGY

Our audit, tax, consulting, and client accounting services documentation is maintained electronically. Compliance with our methodology is regularly reviewed and evaluated as part of our internal quality program, which is further discussed in this section under [INTERNAL QUALITY CONTROL REVIEWS AND EXTERNAL REVIEWS](#). Comprehensive policies and procedures governing all of our practices and addressing professional and regulatory standards and implementation issues are constantly updated for new professional developments and emerging issues. See [PAGES 17 – 23](#) for a more detailed description of the relevant approach and methodology.

ENGAGEMENT QUALITY REVIEW PARTNER (CONCURRING PARTNER)

Each audit has an assigned engagement quality review (EQR) partner with the appropriate experience. This role is one of the most important elements of our quality assurance process, as it provides for a timely, independent review of all key accounting and auditing issues. The EQR partner also reviews the financial statements and related supporting documentation—including the disclosures—to evaluate their fair presentation under accounting principles generally accepted in the United States of America (GAAP).

INTERNAL QUALITY CONTROL REVIEWS AND EXTERNAL REVIEWS

Experienced partners and professional staff of our firm conduct quality control reviews of our audits. Our partners' work is reviewed annually, and the inspection process includes periodic testing of the effectiveness of our quality controls and a continuous improvement program.

Peer reviews are performed every three years by another independent public accounting firm. The most recent review of our firm was performed in 2013 by EideBailly, whose report was the most favorable possible.

In addition, we are registered with the PCAOB and our 2006, 2009, and 2012 PCAOB external inspection reports were also the most favorable possible—no audit deficiencies. The 2012 PCAOB report can be viewed at http://pcaobus.org/Inspections/Reports/Documents/2013_Carr_Riggs_Ingram_LLC.pdf.

LIABILITY INSURANCE

CRI currently carries professional liability insurance coverage provided by CNA Insurance Group. The policy maximum is \$40 million.

REGULATORY ACTIONS

CRI has experienced no regulatory actions or sanctions within the most recent five years.

REPORT DELIVERY

At the conclusion of the audit, CRI will provide ten (10) printed copies of the annual report and management letter to the Audit Committee. CRI will also provide two (2) copies to the Local Government Commission. In addition, an electronic PDF file of the annual report will be provided.

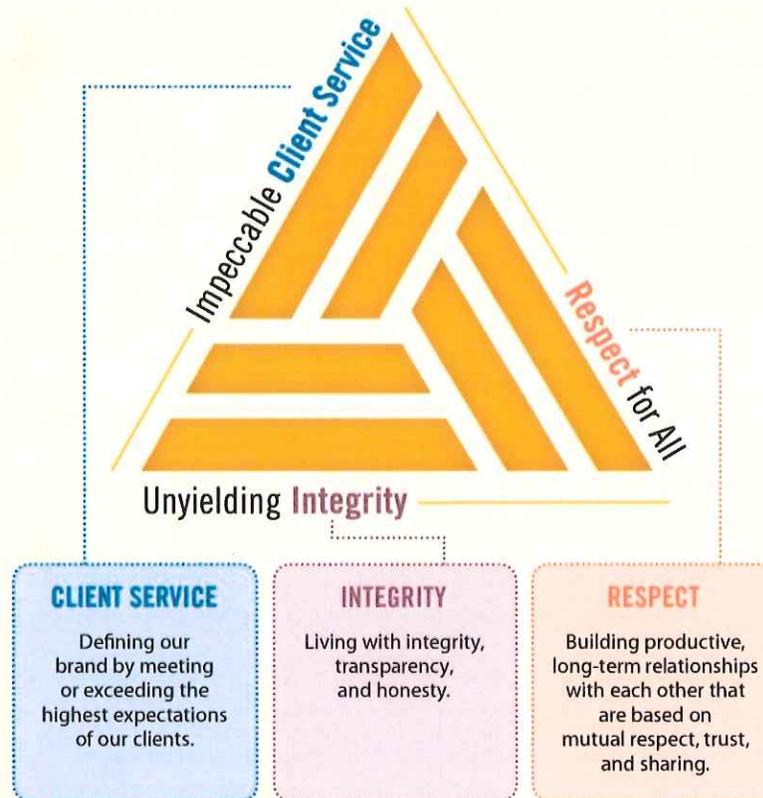
INDEPENDENCE

The Firm's policy regarding Independence under GAS is that independence must exist in mind and in appearance. The Firm emphasizes the importance of considering individual threats to independence both individually and in aggregate. These threats can be categorized as threats of: management participation, self-review, bias, familiarity, undue influence, self-interest, and structural.



SHARING CRI'S VALUES WITH YOU

We are proud of our hands-on, service-centric, and results-oriented approach. Combining that approach with quality controls and superior talent allows us to help you achieve your goals and strengthen your management systems and processes. This approach is further emphasized through our three core values which guide our team's behavior and function as the foundation for interactions with our clients and each other.



CRI CARES

Additionally, using a separate 501(c)(3), CRI aids team members during emergencies or hardships beyond control. What does it mean to our clients? CRI lives our values. We demonstrate respect and service to our team – just as we do for our clients.

TRANSITIONING YOU

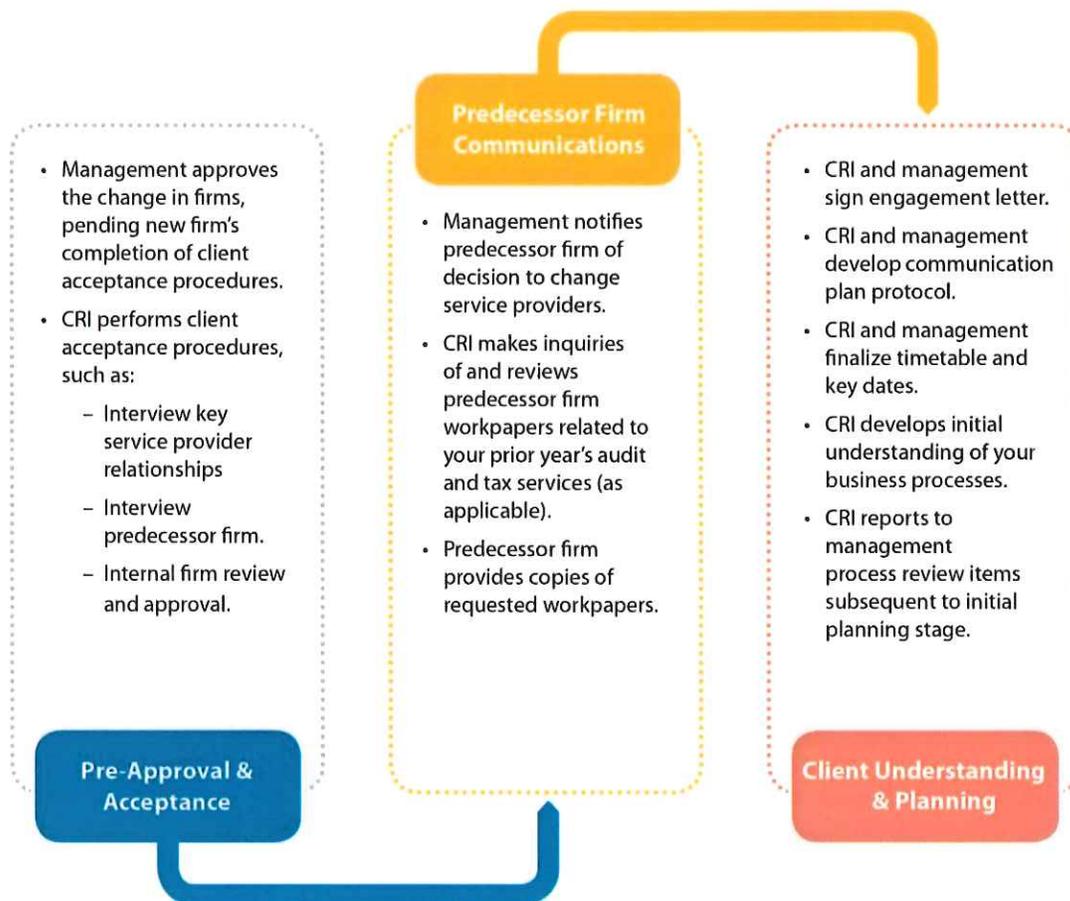
When choosing to change firms, the time involved in working with new accounting professionals is often a concern. CRI's well-defined efficient, seamless transition process is designed to:

- Provide you with value from the very first encounter,
- Avoid interruption of service,
- Minimize disruption and investment of management's time,
- Raise the standard of service, and
- Establish ongoing channels of communication with the Unit's management.

The transition plan is comprised of the following key activities and can occur within approximately two weeks, depending on the availability of the parties involved:

"As a CPA and former auditor myself, I know that changing auditors can often be difficult and time consuming due to learning curves and new processes. Fortunately, I quickly found that CRI's partners and staff make the transition simple and relatively painless. The significant involvement of the firm's partners is one of the main reasons for this result. CRI's partners are responsive to our needs and professionally handle the entire engagement from beginning to end."

*Ed Oliphant, Chief Financial Officer
Regional Transportation Authority*



JOINING OUR CONVERSATION



WEBSITE (CRIcpa.com)

CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.



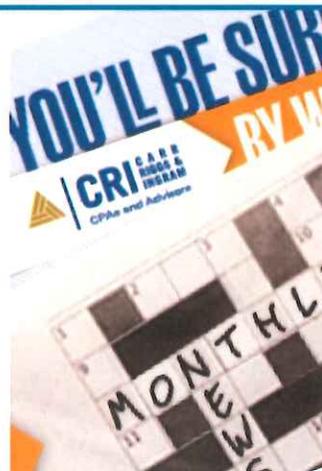
BLOG SITE (blog.CRIcpa.com)

Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.



CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics.



NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- Reportable Health Care Coverage on W-2s
- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning



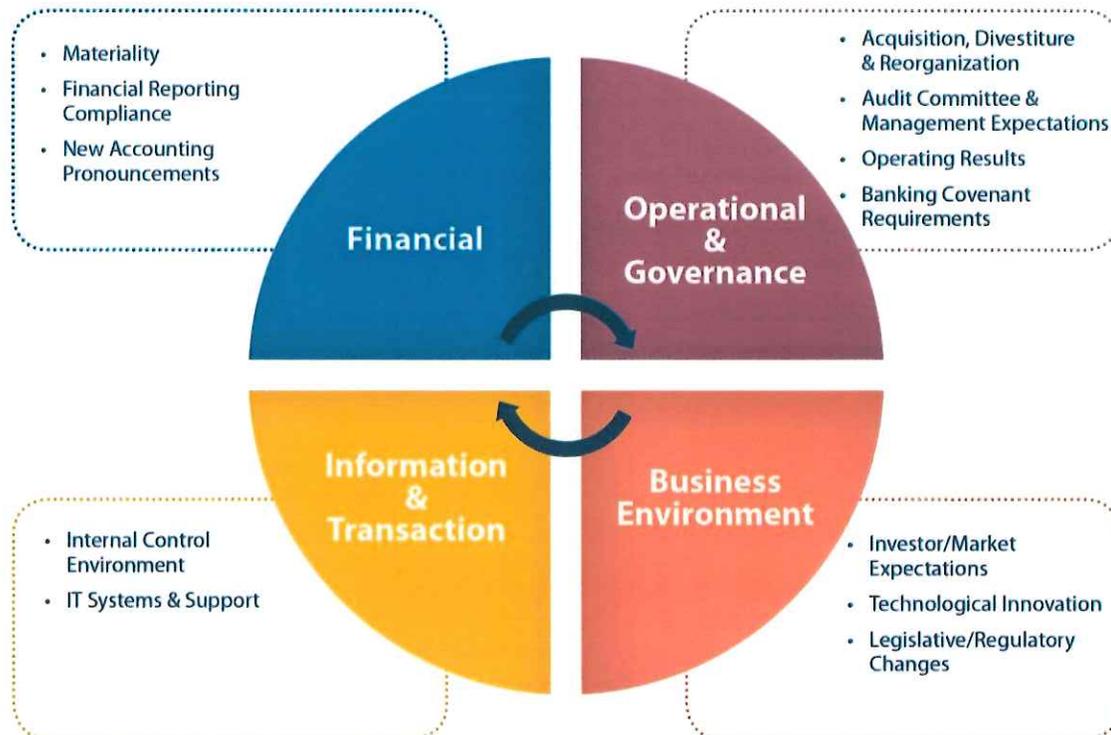
CRI AUDIT FRAMEWORK

Our proposed services require coordinated efforts between CRI and the Unit's team. Planning and continual communication are essential to developing the appropriate procedures, working collaboratively to resolve any identified issues, and meeting your timelines.

CRI's audit approach occurs within a framework of our client's business and industry; therefore, we assess risk by:

- Understanding management's perspectives and goals, and
- Considering business conditions and threats that could prevent management from achieving its business objectives.

We assess risks in the following areas:





CRI AUDIT FRAMEWORK

Our ultimate intent is to drill down from these broad risks to specific financial reporting risks. We understand both these risks and management's processes and procedures for mitigating them (i.e. internal controls) in order to develop our procedures to carry out our audit responsibilities.

Although our audits are conducted through a structured, risk-based model, we focus on understanding the client's needs, requirements, and expectations. We work collaboratively with management and the Audit Committee (or similar function) to develop a communication and work plan to continuously improve client service, by doing so we help in moving your team from simple **compliance** to providing you with a **competitive advantage**.

In planning, we concentrate on "key risks," (items with a greater risk of a material misstatement, a material weakness in internal controls, or other matters resulting in the issuance of an inappropriate audit report). We focus on "material" items (i.e. those items that would be important to the user of your financial statements). When evaluating materiality of identified misstatements, certain quantitative and qualitative factors must be considered—which may include:

- Impact on operating trends (revenue/income, expenses, net income, etc.).
- Nature of the misstatement (i.e., did the misstatement result from an unlawful transaction?).
- Impact on liquidity, capital/surplus, earnings capacity, etc.
- Impact to loan covenants and contractual and regulatory requirements.

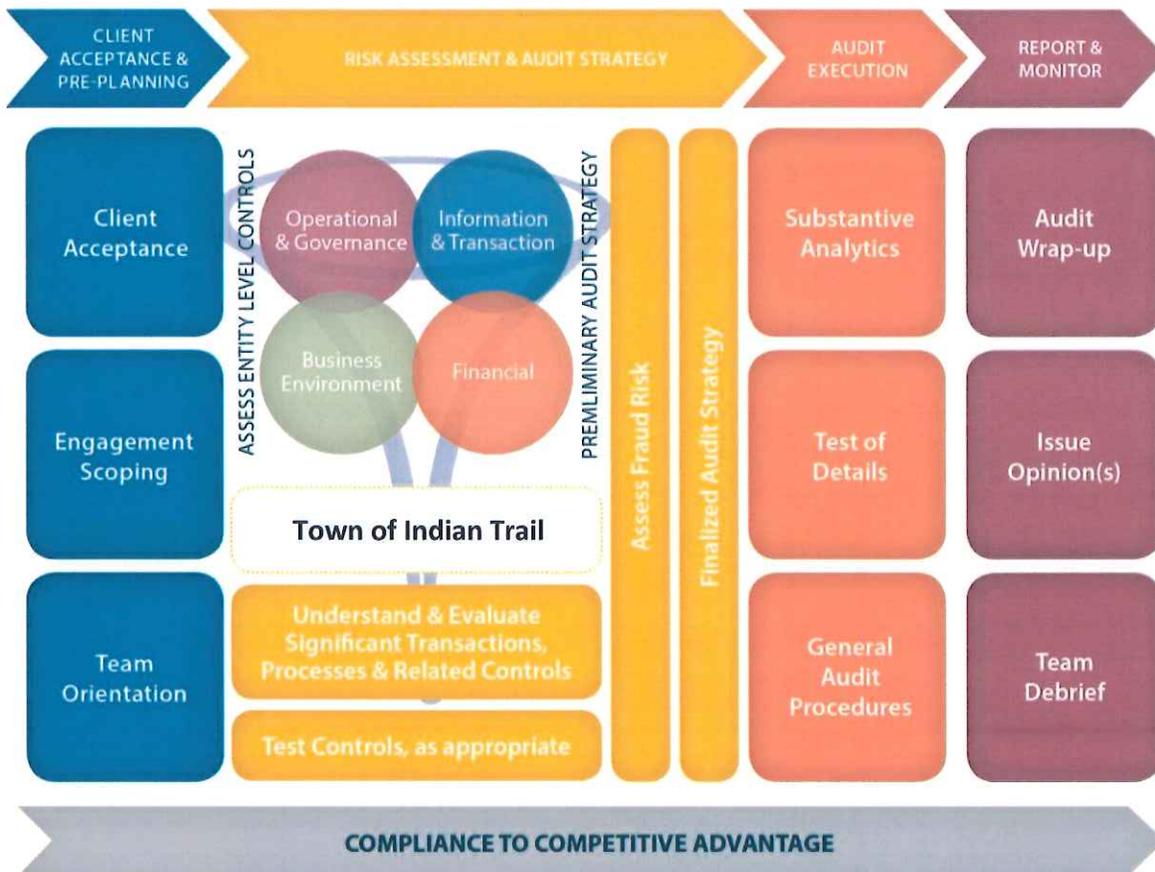
Consistent communication is a key to completion of the audit. By ensuring constant involvement, we are in a better position to respond to your issues timely and efficiently. Therefore, we plan to meet with your management to:

- Set-up the audit by reviewing the mapping of the Unit's financial information (financial statements and notes) to significant processes and IT systems to ensure that all significant account balances, transactions, procedures, and systems are tested as deemed necessary.
- Discuss ongoing changes—specifically new accounting pronouncements and key business transactions in their early stages, enabling us to agree on the resolution of various complex business issues on a timely basis.



CRI AUDIT APPROACH

Our audit approach is a four stage approach, as depicted in the summary below. Our client acceptance and risk assessment procedures (as noted on the previous page) occur during detailed conversations and observations with your team. The results of those procedures allow us to tailor an audit program to your specific risks and needs. We then execute the audit, report the results, and evaluate continuous improvement opportunities for ongoing service and benefit to you.





CRI AUDIT APPROACH

Stage 1: Client Acceptance & Pre-planning

- Perform client acceptance procedures where necessary.
- Collaborate with management to agree to expectations and scope.
- Assign appropriate staff to engagement based on client needs and assessed risk.

Stage 2: Risk Assessment & Audit Strategy

- Interview client personnel and others, as necessary to understand client-specific objectives and risks.
- Assess environmental and other external risks and potential impact on the audit planning.
- Assess entity level controls including: control environment, risk assessment, information & communication, and monitoring controls.
- Assess management's fraud and IT risk assessment models. Develop independent fraud and IT risk assessment.
- Assess IT General Computer (ITGC) controls, such as IT Environment, Developing & Delivering IT, and Operating IT & Monitoring IT.
- Assess materiality.
- Perform preliminary analytical procedures.
- Map financial statements to significant transactions, processes, IT systems and related controls.
- Develop understanding of significant processes and related controls.
- Determine existence of/reliance on SSAE 16 (formerly SAS 70(s)).
- Test controls including ITGC, as and if deemed appropriate. Tests will include a mix of:
 - inquiry,
 - observation,
 - examination and
 - re-performance.
- Determine reliance on Internal Audit, if applicable (e.g. controls or detailed tests).
- Determine reliance on specialist(s), if applicable (e.g. valuations, pension costs, etc.).
- Finalize risk assessments and develop final audit strategy.

Stage 3: Audit Execution

- Where possible, develop detailed analytical procedures to use as substantive tests to reduce tests of details. Examples include:
 - ratio analysis,
 - regression analysis,
 - trend analysis,
 - predictive tests or
 - reasonableness tests.
- Where possible utilize Computer-Assisted Audit Techniques (CAATs), such as IDEA or ACL to automate testing for more coverage and less disruption to the client.
- Where possible, perform targeted testing (also known as "coverage" testing) of account balances to tests large portions of account balances.
- Perform tests of details, including sampling, if applicable or necessary.
- Perform general audit procedures, as and if applicable, such as tests related to:
 - commitments and contingencies,
 - legal letters,
 - management representations,
 - reviews of Board minutes,
 - related party transactions,
 - debt covenants and
 - going concern.
- Perform other tests for compliance such as Yellow Book or Single Audit Tests.

Stage 4: Report & Monitor

- Continually monitor the audit and provide feedback as agreed during scoping or more frequently, as deemed appropriate.
- Conclude the audit (i.e. issue opinions and/or reports).
- Develop and present required communications, including management letter comments.
- Perform an internal team de-briefing to identify areas for improvement.
- Welcome the opportunity for an external de-briefing with our clients to improve.

PROPOSED AUDIT STRATEGY



GAAP provides a conceptual framework for accounting, financial reporting, and disclosure. Your application of GAAP varies depending on your facts and circumstances—and interpretations.

Our general audit approach as described above is tailored to address the nature and inherent risk of each area. For significant areas, we will:

- Meet with management to gain an understanding of management’s processes and controls.
- Assess and test such controls, as necessary.
- Perform substantive analytical audit procedures and tests of details, as appropriate.

In certain complex areas, we may use functional specialists (e.g. information technology [IT], valuation of investments, and review of actuarial assumptions and calculations) to assist in the evaluation of complicated transactions and judgmental account balances. Additionally, we will review the financial statement disclosures and evaluate the overall transparency of the Unit’s financial reporting.

Taking into account various items related to the Unit, such as—but not limited to—industry expertise, knowledge of your organization, preliminary risk assessments, materiality, and the judgmental nature of the accounts, we have outlined below the key areas of audit focus and our proposed strategy.

| PROPOSED AUDIT STRATEGY | | | | | | |
|-----------------------------------|---------------|------------------|------------------------|-----------------|--------------|--|
| Significant Areas | Level of Risk | Test of Controls | Substantive Procedures | | | Notes |
| | | | Analytics | Test of Details | Use of CAATs | |
| Initial audit procedures | High | ✓ | ✓ | ✓ | ✓ | - First time audit - all areas will be impacted. - We also will perform the requisite predecessor/successor communications. CRI is incumbent so unless requested not applicable |
| Fraud risks | Medium | ✓ | ✓ | ✓ | ✓ | - Will meet AICPA requirements of fraud testing. - Fraud is considered an intentional act that results in a material misstatement of the financial statements. - We will gather information to identify risks of material misstatement due to fraud, and evaluate processes that address fraud. |
| Financial reporting | Medium | ✓ | ✓ | ✓ | ✓ | - Period-end financial reporting is critical; financial reporting compiles/reconciles detailed information from underlying processes and systems. |
| Other estimates and contingencies | Medium | ✓ | ✓ | ✓ | | - Compensated absences – we will perform tests of details and substantive analytics to substantiate accuracy of account balance. |
| Manual journal entries | Medium | ✓ | | ✓ | ✓ | - Manual journal entries are risky. |
| Entity level controls | Medium | ✓ | ✓ | ✓ | ✓ | - We will gain an understanding of the control environment, risk assessment, monitoring, information and communication channels to determine the nature, timing, and extent of reliance on and tests of controls; we use all of the above to build the audit approach. - Our goal is to leverage management’s processes to the degree possible, which increases efficiency. |
| IT systems | High | ✓ | ✓ | ✓ | ✓ | - Underlying financial and operational systems supporting the key business cycles play a critical role in the ability to generate and compile complete and accurate financial data. - The IT security, computer operations and program change controls for financially significant applications are vital. |

PROPOSED AUDIT STRATEGY

| PROPOSED AUDIT STRATEGY | | | | | | |
|---|---------------|------------------|------------------------|-----------------|--------------|--|
| Significant Areas | Level of Risk | Test of Controls | Substantive Procedures | | | Notes |
| | | | Analytics | Test of Details | Use of CAATs | |
| Capital assets and related expenditures | Medium | ✓ | ✓ | ✓ | ✓ | - Capital assets are significant due to the account balance and susceptibility to misappropriation. |
| Accounts payable and related expenditures | Medium | ✓ | ✓ | ✓ | ✓ | - Accounts payable are significant due to the account balance and number of transactions impacting accounts payable and the related expense accounts. |
| Payroll, related liabilities and payroll expenditures | Medium | ✓ | ✓ | ✓ | ✓ | - Payroll liability accounts and related expenditures are significant due to the account balance and payroll expenditures comprise a significant portion of the Entity's expenditures. |
| Long-term debt / debt covenants | High | ✓ | ✓ | ✓ | | - Debt may be significant due to the size of account balance and covenants associated with debt. - We will perform tests of compliance through substantive analytics and confirmation of certain data with creditors and other third-parties. |
| Deferred revenue | Medium | ✓ | ✓ | ✓ | | - Deferred revenue is significant due to the size of account balance. |
| Revenue recognition | High | ✓ | ✓ | ✓ | ✓ | - We will test revenue systems and processes and perform a combination of substantive analytical procedures and tests of details to test this area. |
| Cash and cash equivalents | Low | ✓ | | ✓ | | - Cash is significant because of the large account balance and number of transactions impacting account. |
| Accounts receivable | High | ✓ | ✓ | ✓ | ✓ | - Accounts receivable are significant due to the account balance, number of transactions and issues related to estimates associated with the allowance for doubtful accounts. |



PROPOSED AUDIT TIMING

The following graphs depict the timing and key elements of our typical audit process.

| TIMING OF AUDIT PROCEDURES | | | | | | | | | | | | |
|--|------|-----|-----|-----|-----|------|-----|-----|------|-----|-----|-----|
| PHASE | 2016 | | | | | | | | | | | |
| | JAN | FEB | MAR | APR | MAY | JUNE | JUL | AUG | SEPT | OCT | NOV | DEC |
| Client Acceptance & Pre-Planning | | | | | | | | | | | | |
| Appointment of audit firm | | | | | | | | | | | | |
| Ongoing consultation on major issues and developments | | | | | | | | | | | | |
| Meet with management to discuss risks and scope | | | | | | | | | | | | |
| Hold CRI engagement team planning meetings | | | | | | | | | | | | |
| Risk Assessment & Audit Strategy | | | | | | | | | | | | |
| Gain understanding of significant processes and key controls | | | | | | | | | | | | |
| Perform testing of key controls to reduce substantive testing | | | | | | | | | | | | |
| Determine nature, timing and extent of substantive procedures | | | | | | | | | | | | |
| Perform selected substantive procedures as of interim date | | | | | | | | | | | | |
| Finalize and communicate plan to management/governance | | | | | | | | | | | | |
| Audit Execution | | | | | | | | | | | | |
| Conduct remaining substantive tests based on the results of audit procedures performed to date | | | | | | | | | | | | |
| Discuss results of audit work with management | | | | | | | | | | | | |
| Report & Monitor | | | | | | | | | | | | |
| Review annual report | | | | | | | | | | | | |
| Meet with management/governance to discuss results of audit | | | | | | | | | | | | |
| Issue audited financial statements | | | | | | | | | | | | |

