



APRIL 14, 2022

COST PROPOSAL FOR INTERNAL AUDIT SERVICES

Submitted By:
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Holland Central School District Cost Proposal for Professional Internal Auditing Services

I certify that as a Director and signer of this proposal that I am entitled to represent Freed Maxick CPAs PC, empowered to submit the bid and authorized to sign a contract with Holland Central School District (the "District").

Risk Assessment

Risk assessments are performed by experienced manager and senior level resources. These individuals have the industry knowledge and background that are critical in performing a high-quality risk assessment.

Professional Level	Interviews and Update of Internal Controls	Risk Assessment and Reporting	Less Pro- Bono Hours	Total Hours
Partner	0	13	(7)	5
Risk Assessment Specialist	55	12	(33)	35
Total	55	25	(40)	40 hours

The hours noted above also include meetings with management and the Audit Committee to review the risk assessment, our findings and the internal audit plan.

Internal Audit

Each engagement is carefully planned, and a time budget is established for each phase of our work. The time of each individual involved is accounted for, and all staff members are well indoctrinated on the need to control and spend time to the best advantage. Because each internal audit is unique the hours and associated fees necessary to plan and perform the internal audit will naturally vary. As we develop our internal audit plan for the high-risk areas to be tested, we will review the plan with management and the estimated hours for performance of the internal audit. This will provide the District with the opportunity to evaluate the plan, discuss the scope of the engagement and manage the hours and related internal audit fee. **Our internal audit's staffing model is very different from our risk assessments. Staff can easily conduct a majority of audit testing of internal controls and compliance. This allows the us to reduce the blended hourly rate charged for our internal audits.**

Due to the nature of internal audits, the number of hours necessary to conduct an internal audit and the technical expertise of the professionals assigned to the internal audit will vary depending on the scope of the testing performed. As requested in the Request for Proposal and for the purpose of this proposal the fees outlined below are based on an estimate of 80 hours for an internal audit of an identified high risk area.

Professional Level	Internal Audit Testing	Reporting and Presentations	Total Hours
Partner	4	4	8
Supervisor	12	4	16
Staff	<u>56</u>	-	<u>56</u>
Total	72	8	80

In advance of each internal audit, we will provide the District with an engagement letter outlining the procedures to be performed and the range of hours anticipated for the completion of the internal audit. Understanding that the District has limited resources in their budgets, we have the ability to work with the District to manage the number of hours necessary for completion of the internal audit.

Our proposed fees follow:

Professional Service	2023*	2024*	2025*	2026	2027
Risk Assessment	N/A	\$ 9,175	\$ 9,625	\$ 10,100	\$ 10,600
Internal audit (based on 80 hours)	N/A	\$ 13,125	\$ 13,750	\$ 14,450	\$ 15,175
Hourly rate for the internal audit (estimate)	N/A	\$ 164	\$ 172	\$ 181	\$ 190
Total all-inclusive maximum price	N/A	\$ 22,300	\$ 23,375	\$ 24,550	\$ 25,775

*As noted in the technical proposal, we are looking to develop/continue a long-term relationship with the District. Accordingly, the above fees reflect our waiver of all start-up costs associated with an initial risk assessment, *provided we are appointed for a term of three years or longer*. This translates into approximately 40 hours of pro-bono professional service during the first year of our engagement. We are committed to being a fair and respectful business partner and, in turn, we ask for a fair fee—if the District appoints us for a term of less than three years, we will request payment for our start-up investment.

Manner of Payment

Progress billings will occur as work progresses, based on hours incurred. Payment of these billings will be due upon receipt by the District.

Freed Maxick will not seek reimbursement for travel, lodging, subsistence or other out-of-pocket costs incurred in connection with the completion of the District's risk assessment and internal audit separate from the total all-inclusive maximum price noted above.

Respectfully Submitted
Freed Maxick CPAs, P.C.



Kathryn M. Barrett, CPA
Director