Proposal to Provide Auditing Services

Ashe County

Section 1:
Profile of the Firm

Due Date: July 2, 2026 3:00 PM

PRESENTED BY:

Thompson, Price, Scott, Adams & Co., P.A.

ASHE COUNTY
North Carolina

Proposal to Provide Auditing Services
For the Year Ending June 30, 2026 Through 2028

SECTION 1:

Profile of the Firm

SUBMITTED BY:

Thompson, Price, Scott, Adams & Co., P.A.

1626 S. Madison St.
PO Box 398
Whiteville, NC 28472
(910) 642-2109

CONTACT PERSON:

Alan W. Thompson, Partner

DUE DATE: July 2, 2026 3:00 PM

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

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CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

Thompson, Price, Scott, Adams & Co, P.A.
P.O. Box 398
1626 S Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958

Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA

June 23, 2026

Ashe County, Finance Department
Attn: Sandra Long, Director of Fiscal Operations
150 Government Circle, Suite 2500
Jefferson, NC 28640

Re: Request for Proposal for Auditing Services for: Ashe County

Dear Ms. Long:

Thompson, Price, Scott, Adams & Co, P.A., hereinafter called the "Auditor" is pleased to submit this proposal to provide financial and compliance auditing services for Ashe County, hereinafter called the "County", It is our understanding that the County is requesting proposals from qualified firms of certified public accountants to establish a contract for the financial and compliance audit of the County's Annual Financial Statements, beginning with the fiscal year ended June 30, 2026 and ending with the fiscal year ended June 30, 2028, based on annual negotiation after the first year is complete. We have read the RFP and fully understand its intent and contents. We understand the time frame for performance of the annual financial audit as stipulated by the County and fully intend to satisfy all objectives. As professionals serving the public sector, our objective is to ensure that accurate information is reported to the County. Given the complexities of financial operations and the ongoing significant changes in accounting standards, we feel that it is extremely important that you select an auditor that is focused and extremely experienced in the governmental industry to serve you, and we believe we are qualified to do so with superior resources and service at a competitive and fair price.

Our responsibility will be to conduct a financial and compliance examination of the County's Annual Financial Statements in accordance with the laws and/or regulations of the State of North Carolina, which includes requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; Government Auditing Standards, 2024 revisions; the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State Single Audit Implementation Act; and all other applicable laws and regulations.

While there are many reasons for the County to choose Thompson, Price, Scott, Adams & Co., P. A. as auditor for this examination, we feel some of the most compelling reasons for us to serve the County are:

Experience. Our professionals are thoroughly versed in the complex governmental arena and have consistently provided the highest quality of service to our government clients. Our knowledge of the operations and financial activities of counties will be used on a proactive basis to work with the County in identifying potential issues and concerns before they become serious problems. This will be very important to the County as future GASB statements are required to be implemented. We are committed to providing on-site service and will be a valuable technical resource to the County on a regular basis.

Dedicated Team. The Auditor has a dedicated group of audit professionals focused on providing the highest quality professional services possible. The goal of our staff is to help the County improve their financial processes and strategies so that they can continue to achieve their goal of being highly successful.

Responsiveness. We pride ourselves on responding to our clients' needs and meeting their deadlines.
The open communications and good working relationship we have with our clients enhances our ability to be responsive. We have the flexibility to meet your needs and to perform our services in an efficient and effective manner.

Alan W. Thompson, managing partner, is authorized to bind, and make representation for the Auditor. Mr. Thompson will be the ultimate party responsible for the quality of the report and working papers. He can be contacted at 910-642-2109, 1626 S. Madison St., PO Box 398, Whiteville, NC 28472, or alanthompson@tpsacpas.com, if you have any questions regarding our proposal or any related matters.

We are very grateful for the opportunity to submit our proposal, and we would be honored to serve the County.

Respectfully Yours,

Alan W. Thompson, Partner

1. Indicate the Audit Firm's North Carolina office location(s) that will handle the audit.

This audit will be conducted from the Whiteville office. The partner in the Wilmington office and his staff will be available if needed.

2. Indicate the number of people (by level) located within the Audit firm's office that will handle the audit.

TEAM AUDIT

Alan Thompson., CPA,	Engagement Partner
Brandy Turbeville, CPA	Audit Manager - oversees both financial and compliance audits
Ronnie Creech	Senior Staff - assists in financial audit testing
Hunter Wiseman	Senior Staff - assists in financial audit testing
Sophie Chen, CPA	Senior Staff – compliance auditor

3. Provide a list of the audit firm's local office's current and prior government audit clients, indicating the type(s) of services performed, and the number of years served for each.

CURRENT & PRIOR AUDIT CLIENTS

GOVERNMENT	AUDIT TYPE	YEARS AUDITED
Anson County	SA	2015-2025
Beaufort County	SA	2019-2025
Caswell County	SA	2017-2025
Cleveland County	SA	2018-2025
Craven County	SA	2020-2025
Edgecombe County	SA	2020-2025
Georgetown County (SC)	SA	2020-2025
Granville County	SA	2020-2025
Hertford County	SA	2017-2025
Hyde County	SA	2015-2025
Johnston County	SA	2003-2025
Lee County	SA	2015-2025
Nash County	SA	2017-2025
Northampton County	SA	2016-2025
Richmond County	SA	1999-2025
Stanly County	SA	2017-2025
Vance County	SA	2017-2025
Washington County	SA	2019-2025
Yadkin County	SA	2018-2025
Town of Caswell Beach	YB	2010-2025
Town of Cerro Gordo	YB	2001-2025
Town of Godwin	STD	2019-2025
Town of Leland	SA	2015-2025
City of Henderson	SA	2018-2025
City of New Bern	SA	2019-2025
City of Whiteville	YB	2010-2025

CURRENT & PRIOR AUDIT CLIENTS (Cont.)

Granville County TDA	STD	2020-2025
Johnston County Tourism	STD	2003-2025
Nash County TDA	STD	2017-2025
Northampton TDA	STD	2016-2025
Ocracoke Township TDA	STD	2015-2025
Town of Leland TDA	STD	2017-2025
Vance County TDA	STD	2020-2025
Yadkin County TDA	STD	2018-2025
Albemarle Regional Solid Waste	STD	2021-2025
SE Brunswick Sanitary District	SA	1999-2025
Stanly County Water & Sewer	STD	2017-2025
Albemarle Commission	STD	2009-2025
High-Country COG	SA	2015-2025
Mid-Carolina Council of Govts	STD	2003-2025
Upper Coastal Plain COG	SA	2015-2025
Clay County Schools	SA	2020-2025
Edgecombe Co Board of Ed	SA	2012-2025
Florence School District Four	SA	2021-2025
Hertford County Schools	SA	2009-2025
Hyde County Schools	SA	2020-2025
Thomas Academy	SA	2014-2024
Whiteville City Schools	SA	2006-2025
Memorial Gardens (Granville)	SA	2020-2025
Johnston County Airport	STD	2003-2025
App Health District	SA	2018-2025
Albemarle Regional Health System	SA	2021-2025
Stanly County Visitors Bureau	NP	2017-2025
Lumbee Regional Development	NP	2019-2025
Brunswick Transit Authority	NP-SA	2018-2025
Boys & Girls Homes	NP	1987-2024
SCC Foundation	YB	2002-2025

4. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.

<u>Additional Services Provided</u>

Brunswick ABC Board	Bookkeeping & Payroll	10+ years
West Columbus ABC Board	Bookkeeping & Payroll	5 years
Town of Fair Bluff	Bookkeeping & Payroll	7 years
Town of Brunswick	Bookkeeping	10+ years
Town of Tabor City	Bookkeeping	10+ years
Town of Boardman	Bookkeeping	10+ years
Town of Sandy field	Bookkeeping	10+ years
Town of Bolton	Bookkeeping	5 years

In addition to audit services, we provide bookkeeping and payroll services for several local municipalities and 2 ABC Boards, as well as preparation of individual, business, and non-profit tax returns, medical billing services, and financial advisory services. Auditing makes up 45% of services provided.

5. Describe your audit organization's participation in AICPA sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.

Quality Control Program

Quality Control comprises the methods used to make sure that the firm meets its professional responsibilities to clients. Thompson, Price, Scott, Adams & Co., P.A. has created these methods to be completed during and at the end of each engagement. The most significant step is our review process, which consists of:

- •Engagement Review
- •Partner Review
- •Independent Staff Review
- •Peer Review (Every Three Years)

Engagement Review

This review is conducted by the in-charge accountant. Its objective is to ensure that all audit programs are supported by evidential matter and that proper audit documentation is in place.

Partner Review

The primary purpose of this review is to determine that the financial statements are fairly presented, and all compliance issues have been addressed based on the type of engagement.

Independent Staff Review

Before issuance of the audit report, an independent firm member reviews the work papers and financial statements to determine if any material errors have been made.

Monitoring

For the two years between peer review years, we perform in-house monitoring, which is structured similar to peer review. Our offices select engagements to review, and we use the AICPA Peer Review checklist to assist in reviewing the engagements. Any findings or recommendations are discussed with personnel.

Peer Review

Every three years we are required to allow an outside Certified Public Accountant or Firm to review our quality control procedures and to actually review selected work papers and issued financial statements. Firms can receive a rating of pass, pass with deficiency(ies), or fail. Thompson, Price, Scott, Adams & Co, P.A.'s most recent peer review report was for the year ending December 2022. The firm received a Pass. (Copy of report follows).

Our next peer review is scheduled for August 2026.

Bernard Robinson & Company, L.L.P.

Report on the Firm's System of Quality Control

June 27, 2023

To the Partners of Thompson, Price, Scott, Adams & Co, P.A.
and the Peer Review Committee of the North Carolina
Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Thompson, Price, Scott, Adams & Co, P.A. (the firm) in effect for the year ended December 31, 2022. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Thompson, Price, Scott, Adams & Co, P.A. in effect for the year ended December 31, 2022, 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*. Thompson, Price, Scott, Adams & Co, P.A. has received a peer review rating of *pass*.

Bernard Robinson & Company, L.L.P.

BERNARD ROBINSON & COMPANY, L.L.P.

1501 Highwoods Blvd., Ste. 300 (27410)
P.O. Box 19608 | Greensboro, NC 27419
P: 336-294-4494 • F: 336-294-4495
brccpa.com

6. Describe the professional experience in governmental audits of each senior and higher-level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site.

Normally the engagement partner and/or audit manager will be on site 35-50% of the time required to complete fieldwork. The remainder of listed staff will be there 100% of the time required to complete fieldwork. We hope to receive as much information as possible electronically through our portal and organizer.. However, we understand that some time will have to be spent onsite during fieldwork. Our firm has a proven track record of helping clients navigate complex reporting transitions.

ALAN W. THOMPSON, CPA – ENGAGEMENT PARTNER – AUDITS PERFORMED

GOVERNMENT	YEARS	POSITION
Anson County	8	Engagement Partner
Beaufort County	4	Engagement Partner
Cleveland County	5	Engagement Partner
Craven County	3	Engagement Partner
Edgecombe County	3	Engagement Partner
Georgetown County SC	3	Engagement Partner
Granville County	3	Engagement Partner
Hertford County	6	Engagement Partner
Hyde County	8	Engagement Partner
Johnston County	19	Engagement Partner
Lee County	7	Engagement Partner
Nash County	6	Engagement Partner
Northampton County	7	Engagement Partner
Person County	1	Engagement Partner
Richmond County	20	Engagement Partner
Rockingham County	1	Engagement Partner
Scotland County	1	Engagement Partner
Stanly County	6	Engagement Partner
Vance County	6	Engagement Partner
Washington County	4	Engagement Partner
Yadkin County	5	Engagement Partner
Town of Blowing Rock	1	Engagement Partner
town of Butner	1	Engagement Partner
Town of Caswell Beach	12	Engagement Partner
Town of Cerro Gordo	21	Engagement Partner
Town of East Arcadia	25	Engagement Partner
Town of Godwin	3	Engagement Partner
Town of Hope Mills	9	Engagement Partner
Town of Lake Waccamaw	19	Engagement Partner
Town of Leland	7	Engagement Partner
Town of Smithfield	5	Engagement Partner

GOVERNMENT	YEARS	POSITION
Town of Woodland	2	Engagement Partner
City of Conover	1	Engagement Partner
City of Henderson	4	Engagement Partner
City of Laurinburg	1	Engagement Partner
City of Lumberton	3	Engagement Partner
City of Morganton	1	Engagement Partner
City of New Bern	4	Engagement Partner
City of Southport	4	Engagement Partner
City of Whiteville	13	Engagement Partner
Clay County Schools	3	Engagement Partner
Edgecombe County BOE	11	Engagement Partner
Hertford County BOE	14	Engagement Partner
Hyde County Schools	3	Engagement Partner
Old Main Stream Academy	1	Engagement Partner
Pender County BOE	14	Engagement Partner
Thomas Academy	9	Engagement Partner
Whiteville City Schools	13	Engagement Partner
Albemarle Commission	14	Engagement Partner
High Country COG	8	Engagement Partner
Mid-Carolina COG	16	Engagement Partner
Upper Coastal Plain COG	8	Engagement Partner
Western Piedmont COG	1	Engagement Partner
Albemarle Regional Sold Waste	1	Engagement Partner
Southeast Brunswick Sanitary District	23	Engagement Partner
Stanly County Water & Sewer Auth.	6	Engagement Partner
Granville County TDA	3	Engagement Partner
Johnston County TDA	20	Engagement Partner
Leland TDA	6	Engagement Partner
Nash County TDA	6	Engagement Partner
Northampton County TDA	7	Engagement Partner
Ocracoke Township TDA	8	Engagement Partner
Person County TDA	1	Engagement Partner
Vance County TDA	3	Engagement Partner
Yadkin County TDA	5	Engagement Partner
Albemarle Regional Health Services	1	Engagement Partner
Appalachian District Health Dept.	5	Engagement Partner
Granville-Vance District Health Dept.	1	Engagement Partner
South Granville Memorial Gardens	3	Engagement Partner
Johnston County Airport Authority	20	Engagement Partner
Lumberton Airport Commission	3	Engagement Partner
Stanly County Visitors Bureau	6	Engagement Partner

BRANDY TURBEVILLE, CPA – AUDIT MANAGER – AUDITS PERFORMED

Government Audits	Years	Position
Anson County	4 Years	Audit Manager/Lead Auditor
Beaufort county	1 Year	Audit Manager/Lead Auditor
Caswell County	3 Years	Audit Manager/Lead Auditor
Cleveland County	2 Years	Audit Manager/Lead Auditor
Hertford County	3 Years	Audit Manager/Lead Auditor
Hyde County	5 Years	Audit Manager/Lead Auditor
Johnston County	15 Years	Audit Manager/Lead Auditor
Lee County	5 Years	Audit Manager/Lead Auditor
Nash County	3 Years	Audit Manager/Lead Auditor
Northampton County	4 Years	Audit Manager/Lead Auditor
Richmond County	15 Years	Audit Manager/Lead Auditor
Stanly County	3 Years	Audit Manager/Lead Auditor
Vance County	3 Years	Audit Manager/Lead Auditor
Washington County	1 Year	Audit Manager/Lead Auditor
Yadkin County	2 Years	Audit Manager/Lead Auditor
Edgecombe County Schools	8 Years	Audit Manager/Lead Auditor
Hertford County Schools	10 Years	Audit Manager/Lead Auditor
Pender County Schools	10 Years	Audit Manager/Lead Auditor
Thomas Academy	6 Years	Audit Manager/Lead Auditor
Whiteville City Schools	15 Years	Audit Manager/Lead Auditor
Town of Caswell Beach	10 Years	Audit Manager/Lead Auditor
Town of Hope Mills	7 Years	Audit Manager/Lead Auditor
Town of Leland	5 Years	Audit Manager/Lead Auditor
Town of Smithfield	3 Years	Audit Manager/Lead Auditor
City of Henderson	2 Years	Audit Manager/Lead Auditor
City of Whiteville	10 Years	Audit Manager/Lead Auditor
Albemarle Commission	10 Years	Audit Manager/Lead Auditor
High Country COG	5 Years	Audit Manager/Lead Auditor
Mid-Carolina COG	14 Years	Audit Manager/Lead Auditor
Upper Coastal Plain COG	5 Years	Audit Manager/Lead Auditor
Appalachian District Health Dept.	2 Years	Audit Manager/Lead Auditor
Albemarle Commission	7 Years	Audit Manager/Lead Auditor
Boys and Girls Homes of NC	15 Years	Audit Manager/Lead Auditor

RONNIE CREECH – SENIOR STAFF - AUDITS PERFORMED

Government Audits	Years	Position
Caswell County	3 Years	Financial Auditor
Hyde County	4 Years	Financial Auditor
Johnston County	10 Years	Financial Auditor
Nash County	2 Years	Financial Auditor
Yancey County	1 Year	Financial Auditor
Richmond County	20 Years	Financial Auditor
Stanly County	2 Years	Financial Auditor
Vance County	2 Years	Financial Auditor
Yadkin County	1 Year	Financial Auditor
Town of Hope Mills	5Years	Financial Auditor
Town of Leland	4 Years	Financial Auditor
Town of Red Springs	20 Years	Financial Auditor
Town of Smithfield`	2 Years	Financial Auditor
City of Henderson	1 Year	Financial Auditor

HUNTER WISEMAN – SENIOR STAFF - AUDITS PERFORMED

GOVERNMENT AUDITS:	YEARS:	POSITION:
Anson County	2 Years	Staff Auditor
Beaufort County	2 Years	Staff Auditor
Caswell County	3 Years	Staff Auditor
Craven County	2 Years	Staff Auditor
Granville County	2 Years	Staff Auditor
Hyde County	2 Years	Staff Auditor
Nash County	2 Years	Staff Auditor
Northampton County	2 Years	Staff Auditor
Stanly County	2 Years	Staff Auditor
Vance County	2 Years	Staff Auditor
Washington County	2 Years	Staff Auditor
Yadkin County	2 Years	Staff Auditor
Town of Caswell Beach	2 Years	Staff Auditor
Town of Hope Mills	2 Years	Staff Auditor
Town of Smithfield	3 Years	Staff Auditor
City of Henderson	2 Years	Staff Auditor
City of Whiteville	3 Years	Staff Auditor
The Carl Malone Foundation, Inc.	2 Years	Staff Auditor
Southeast Raleigh Promise, Inc.	2 Years	Staff Auditor
NET32, Inc.	2 Years	Staff Auditor

SOPHIE CHEN – COMPLIANCE AUDITOR – AUDITS PERFORMED

Governmental Audits	Years	Position
Anson County	6	Compliance Auditor
Beaufort County	5	Compliance Auditor
Caswell County	6	Compliance Auditor
Cleveland County	6	Compliance Auditor
Columbus County	4	Compliance Auditor
Craven County	4	Compliance Auditor
Edgecombe County	4	Compliance Auditor
Granville County	4	Compliance Auditor
Hertford County	6	Compliance Auditor
Hyde County	6	Compliance Auditor
Johnston County	6	Compliance Auditor
Lee County	6	Compliance Auditor
Nash County	6	Compliance Auditor
Northampton County	6	Compliance Auditor
Richmond County	6	Compliance Auditor
Stanly County	6	Compliance Auditor
Vance County	6	Compliance Auditor
Washington County	5	Compliance Auditor
Yadkin County	6	Compliance Auditor
Town of Leland	6	Compliance Auditor
Town of Smithfield	6	Compliance Auditor
Town of Red Springs	1	Compliance Auditor
City of Henderson	6	Compliance Auditor
City of Whiteville	6	Compliance Auditor
City of Lumberton	2	Compliance Auditor
City of New Bern	5	Compliance Auditor
City of Southport	1	Compliance Auditor
Appalachian District Health	6	Compliance Auditor
Albemarle Regional Health	3	Compliance Auditor
Lumbee Regional Development	5	Compliance Auditor

7. Describe the relevant experience and education with the new GASBS reporting requirements, seminars and courses attended within the past three years. Courses in governmental accounting and auditing should be clearly communicated.

Our staff maintains rigorous educational standards to stay ahead of GASBS reporting changes:

- Mandatory GAGAS CPE: All assigned personnel comply with Government Auditing Standards (Yellow Book), completing at least 80 hours of CPE every two years, with at least 24 hours specifically in government auditing.
- NC-Specific Training: Our team regularly attends the Annual Update for Governmental Accountants & Auditors hosted by the NC Association of CPAs and virtual updates from the NC Office of the State Controller.
- LGC Compliance Updates: We actively monitor LGC Staff Memos regarding changes to the State Single Audit thresholds and the Uniform Guidance to ensure the Village remains in compliance with state and federal grant reporting.

Our firm is committed to the proactive implementation of new and evolving GASB standards. We ensure that our clients are prepared for reporting shifts well before the LGC's December 31st deadline. Our recent and ongoing implementation experience includes:

- GASB Statement No. 101, Compensated Absences: We are currently assisting clients with the transition from GASB 16 to GASB 101 for the 2024-25 fiscal year. This includes re-evaluating leave types (sick, vacation, and PTO) under the new "more likely than not" recognition threshold and ensuring opening balances are accurately adjusted.
- GASB Statement No. 102, Certain Risk Disclosures: For the upcoming fiscal year, our team is already working with Finance Directors to identify reportable concentration (e.g., major taxpayers or employers) and constraints (e.g., legislative, or contractual limitations) to ensure full transparency in the notes to the financial statements.
- GASB Statement No. 100, Accounting Changes and Error Corrections: We have implemented an enhanced disclosure framework for reporting changes in accounting principles and prior-period adjustments, ensuring clear communication to the Town's stakeholders.
- GASB Statement No. 96, SBITAs: Our team has completed successful audits of Subscription-Based Information Technology Arrangements, assisting towns in identifying and valuing IT assets.

Staff Continuing Education Summary

BRANDY TURBEVILLE

DATE	COURSE
1/28/2025	Surgent's Federal Tax Update
3/3/2025	Assessing the Risk of Fraud in a Financial Statement Audit
3/20/2025	Government and Nonprofit Frauds and Controls to Stop Them
4/29/2025	Quarterly Fraud Update
5/6/2025	Jen Louis In House Training
5/7/2025	Debt book - GASB 87 and 96 Webinar
5/14/2025	SOG - Compensated Absences
5/29/2025	SOG - Auditor's Conference
5/30/2025	Proven Controls to Steer You Clear of Fraud (Self Study)
6/4/2025	Local Auditor's Medicaid Review
6/10/2025	NC Ethics
6/17/2025	Fraud in Single Audits
6/30/2025	Guide to AICPA Quality Management Standards
10/21/2025	Update on AICPAs New Ethics and QC Standards

ALAN THOMPSON

DATE	*COURSE*
5/14/2025	UNC School of Government via Zoom
5/21/2025	Live Stream: Excel Conference
6/10/2025	AICPA & CIMA ENGAGE 2025
8/3/2025	Update on Audit Technology
9/27/2025	AICPA Standards Update
10/21/2025	Update on AICPAs New Ethics and QC Standards
10/24/2025	Behavioral Ethics
12/6/2025	Governmental Auditing Update
12/6/2025	Single Audit Readiness - The Auditor and Entity Perspectives (OL149725)
12/6/2025	Governmental Auditing Update (OL149125)
12/6/2025	The Continuing Relevance of Internal Control Concepts and Frameworks
12/6/2025	Cyber Resilience: Protecting Government Entities in a Rapidly Evolving Digital World

HUNTER WISEMAN

DATE	COURSE
4/9/2025	Preparing for NFP Financial Statements (ENFP)
5/8/2025	Jen Louis Customized Audit Training
5/14/2025	SOG - Compensated Absences Webinar
5/20/2025	Latest Developments in Gov and NFP Accounting and Auditing (GNAA)
5/29/2025	2025 Local Government Independent Auditors Conference
12/10/2025	FCS4 Government & Nonprofit Frauds and Controls to stop them
12/11/2025	QUA4 Applying the Yellow Book to a Financial Statement Audit

RONNIE CREECH

DATE	COURSE
5/7/2025	Lease & Subscription Journal Entries
5/8/2025	Jen Louis Customized Audit Training
5/29/2025	2025 LGIAC
10/15/2025	Performing an Effective Audit Assessment
10/31/2025	The Most Critical Challenges in Governmental Accounting Today
11/18/2025	A Complete Guide to the Yellow Book
12/1/2025	Introduction to Single Audit
12/2/2025	Fraud in Single Audits
12/10/2025	Simply Auditing Not for Profits Efficiently

SOPHIE CHEN

DATE	COURSE
5/8/2025	Jen Louis In House Training
6/4/2025	Local Auditor's Medicaid Review
6/17/2025	Fraud In Single Audits (FSA4)
6/23/2025	The Most Critical Challenges in Governmental Accounting Today (CGA4)
6/30/2025	Annual Accounting and Auditing Update (ACAU)
7/17/2025	Understanding and Testing Control and Compliance in a Single Audit (UTC4)
7/21/2025	Latest Developments in Government and Nonprofit Accounting and Auditing (GNAA)

8. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions. (e.g., Environmental Services functions).

The Auditor provides auditing, accounting, and management advisory services to all types of governments, including governments with the following features: solid waste operations, water and sewer operations, electric utility systems, internal service functions, and single audit programs. We feel confident that we can provide exceptional service to the County as well.

9. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for a reference.

Johnston County
Chad McLamb
PO Box 1049
Smithfield, NC 27577
Chad.mclamb@johnstonnc.com
919-989-5109

Lee County
Lisa Minter
PO Box 1968.
Sanford, NC 27331-1968
lminter@leecountync.gov
919-718-4600

City of Henderson
Joseph Fuqua
131 Rose Ave.
Henderson, NC 27536
JosephFuqua@henderson.nc.gov
252-430-5711

Hyde County Schools
Ken Chilcoat – Finance Director
1430 Main St.
Swan Quarter, NC 27885
kchilcoat@hyde.k12.nc.us
252-926-3281

Person County
Tracy Clayton – Finance Director
304 S. Morgan St.
Roxboro, NC 27573
tclayton@personcountync.gov
336-597-1726

10. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2018 Revision. Provide a copy of the firm's Statement of Policy and Procedures.

As stated in Thompson, Price, Scott, Adams & Co., P.A.'s Quality Management Documents:

It is the policy of our firm that all professional personnel be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, the State of North Carolina Board of Accountancy, and the North Carolina Association of Certified Public Accountants. In this regard, any transaction, event, or circumstance that would impair the firm's independence on compilation, review, audit, forecast, projection, or attestation engagements is prohibited. Although not necessarily inclusive of all transactions or events that may impair our firm's independence, the following are considered to be prohibited transactions:

a. Investments by any professional employee in a client's business.

b. Investments by any professional employee with a client, or with client personnel.

c. Borrowing from or loans to a client, or client's personnel.

d. Accepting cash or gifts from a client (with the exception of noncash token Christmas gifts of nominal value.)

e. Certain family relationships between professional personnel and client personnel. (Consult the managing partner for a ruling on these.)

Notwithstanding the preceding policy and list of prohibited transactions, at the managing partner's discretion, certain prohibitions can be waived if it is deemed to be in the best interest of the firm. However, in so doing, the engagement service performed for the client must be limited to that allowed by AICPA professional literature for non-independent situations.

The procedures listed below should be followed to ensure compliance with this policy:

1. All professional personnel are required to sign a representation letter when hired (and to be reviewed annually thereafter) that acknowledges their familiarity with the firm's independence policies and procedures.

2. All professional personnel are required to notify the managing partner of any potential violation of a prohibited transaction or independence rule as soon as they become aware of such a situation. To acknowledge that responsibility, professional personnel are when hired (and annually thereafter) to sign a representation letter and to list situations they know of that could impair our firm's independence.

3. All professional personnel are required to review the firm's client list annually for possible independence violations. The list of clients is maintained on the computer, and each employee has access to a copy. Additions to the list are communicated on a timely basis by a memorandum from the managing partner. When hired (and reviewed annually thereafter) all professional personnel are required to sign a representation that confirms this responsibility.

4. If our firm is engaged as principal auditor and another firm is engaged to examine a subsidiary, branch, division, governmental component unit, or to perform procedures on an element or account grouping within a client's financial statement, the engagement team is required to obtain a written representation regarding the other firm's independence with respect to our client. Furthermore, in a compilation, review, forecast, projection, or attestation engagement, if another firm performs work on a segment of the engagement, a representation (either written of oral) regarding the other firm's independence is required. The PPC manuals (located in the library) contain examples of representation letters used in such situations.

5. The Partners have the primary responsibility for determining if there are significant unpaid fees on any clients that would impair the firm's independence. The firm's client accounts receivable listing and the Partner's knowledge of any unbilled fees should be considered in making this determination.

6. To monitor compliance with our firm's policy and procedures on independence, representation letters are obtained when a professional employee is hired, and annually thereafter, and are routed to the managing partner for his review. During our firm's annual quality control monitoring and remediation process, a sample of employee personnel files will be reviewed to determine that a current independence representation is on file. Also, during this inspection, a sample of engagements will be reviewed to determine compliance at the engagement level with our firm's independence procedures.

Also included in our quality controls, is for all personnel to be familiar with and adhere to the independence rules, regulations, interpretations and rulings of the American Institute of Certified Public Accountants, the North Carolina Board of Certified Public Accountants, the North Carolina Association of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States. In this regard, any transaction, event, or circumstance that would impair the firm's independence on this engagement is prohibited. Thompson, Price, Scott, Adams & Co., P.A. is free from any of the above transactions, events, and circumstances, and therefore is independent of all matters relating to the County.

See Appendix A for copy of Firm's Quality Management Document.

11. Is the firm adequately insured, to cover claims? Describe liability insurance coverage arrangements.

Thompson, Price, Scott, Adams & Co., P.A. maintains a four-million-dollar per claim professional liability insurance policy. Each year the policy is reviewed to ensure adequate coverage. The firm also carries a workers compensation policy that pays up to $100,000 per accident.

12. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

The Firm or local offices have had no regulatory action taken against them by any oversight body.

13. Comment on your knowledge of and relationship with the NC Local Government Commission and the University of North Carolina School of Government in Chapel Hill.

The Firm has a good relationship with the NC Local Government Commission. We have been doing local government audits in North Carolina for over thirty-five years. We have had a partner teach a class at one of the conferences at the UNC School of Government in Chapel Hill.

QUALITY MANAGEMENT DOCUMENT
THOMPSON, PRICE, SCOTT, ADAMS & CO., P.A.

REVISED 12/15/2025

QUALITY MANAGEMENT DOCUMENT

The firm's quality management policies and procedures for the eight elements of quality management are presented on the following pages. All employees and members of the firm are provided copies and are responsible for understanding, implementing, and adhering to these policies and procedures.

Any questions, concerns, or recommendations about the firm's quality management system should be communicated to the quality manager/managing partner.

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INTRODUCTION

During 2025, Thompson, Price, Scott, Adams & Co. P.A. (TPSA), performed a risk assessment as prescribed by Statement on Quality Management Standards (SQMS) No. 1. A Firm's System of Quality Management (QM Section 10), in preparation for the implementation of TPSAs' revised System of Quality Management (SQM).

SQMS 1 (system of quality management), SQMS 2 (engagement quality review) and SQMS 3 (group audits) along with three pronouncements related to quality at the engagement level for SAS 146 (audits), SSARS 26 (reviews, compilations and preparation engagements) and SSAE 23 (attestation engagements including agreed-upon procedures) were issued by the AICPA beginning in June 2022 and are effective for a firm's accounting and auditing practice as of December 15, 2025. The SQM standards supersede Statement on Quality Control Standards No. 8, A Firm's System of Quality Control (QC 10) and adds a new standard (QC 20).

The objective of the firm is to design, implement, and operate a system of quality management for the accounting and auditing practice at TPSA that provides reasonable assurance that

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements, and

- Engagement reports issued by the firm are appropriate in the circumstances.

RISK ASSESSMENT

The most notable change reflected in the new QM standards is the introduction of a risk-based approach in designing, implementing, and operating a system of quality management (SQM). The risk assessment helps firms identify and address risks specific to their practice. In addition, the suite of standards made significant shifts in certain of the components identified in SQCS 8 by augmenting the existing elements and adding others as identified below. SQMS 2 is a more robust version of the Engagement Quality Review (EQR) process.

The firm's risk assessment process includes establishing quality objectives, identifying and assessing quality risks, and designing and implementing responses to address the quality risks. Quality objectives are established for each quality objective specified by SQMS No. 1, and those considered necessary by the firm to achieve the objectives of the SQM. The firm ensures compliance with this policy by implementing the following procedures:

- The firm has established quality objectives, identified and assessed quality risks, designed and implemented responses to address the quality risks, and documented the risk assessment process at *Appendix 1.*

- The firm has established policies and procedures to consider whether additional quality objectives, or modifications to quality objectives, are needed when changes in the nature and circumstances of the firm and its engagements occur.

For more information on the detailed risk assessment for TPSA at Appendix 1.

GOVERNANCE AND LEADERSHIP

The quality objective of the leadership responsibilities element of a system of quality control is to promote an internal culture based on the recognition that quality is essential in performing engagements. Thompson, Price, Scott, Adams & Co., P.A. satisfies this objective by establishing and maintaining the policies and procedures described below.

It is the firm's policy to promote a culture of quality that is pervasive throughout the firm's operations through the development of its system of quality control. Firm management, under the direction of the managing partner, assumes responsibility for the firm's system of quality management (SQM) and designs the system to (1) emphasize the importance of performing work that complies with professional standards and applicable legal and regulatory requirements and (2) issue reports that are appropriate in the circumstances. In maintaining a culture of quality, the firm emphasizes the importance of ethics and integrity in every decision that personnel make, particularly at the engagement level.

The firm ensures compliance with this policy by implementing the following procedures:

1. The firm assigns ultimate responsibility and accountability for its SQM to the firm's managing partner. The managing partner assigns operational responsibility for the SQM and operational responsibility for specific aspects of the system to appropriate audit engagement partners. Individuals with responsibility for the SQM have appropriate experience, knowledge, influence, and authority; and are given sufficient time to fulfill their assigned responsibility and understand the importance of the responsibility they have been given. Those individuals have a direct line of communication to the managing partner to discharge their responsibility with regard to the SQM. The partners assigned operational responsibility for the SQM and operational responsibility for specific aspects of the system are equitably compensated even if such time is not billable. The managing partner has assigned operational responsibility for the system to the SQM director.

2. The firm also dedicates sufficient personnel and financial resources to support its SQM. The proper functioning of the firm's SQM is given the highest priority by firm leadership.

3. The firm communicates clear, consistent, and frequent actions and messages that emphasize the expectation that each individual has a personal responsibility for quality and is to follow the firm's SQM policies and procedures. Such actions and messages include-

    - The firm teaches all new professional employees about the firm's values, attitudes, and expectations regarding professional conduct during employee orientation.

    - The firm conducts periodic in-house training and staff meetings that focus on professional ethics requirements and the firm's values and attitudes related to its commitment to quality.

    - The firm ensures personnel develop and maintain appropriate competence through professional development opportunities that enable them to perform their roles and build additional competence and skill. Partners meet with staff members at the beginning of the year to plan continuing education.

    - The firm informs personnel of actions taken to address quality, discusses the effectiveness of those actions, and solicits feedback from personnel.

    - Firm leadership recognizes personnel performing quality accounting and auditing work in firm communications.

    - The firm has established incentives that encourage individuals to demonstrate a commitment to quality. For example, performance appraisals evaluate whether personnel are committed to quality in how they conduct themselves when performing engagements and other activities related to the firm's SQM. A component of compensation is based on the quality of the person's work.

    - The firm's performance evaluation, compensation, and advancement processes ensure all levels of management are fully aware of their responsibility for quality and are held accountable to provide clear, consistent, and frequent actions and communications that emphasize quality. The firm considers the results of the periodic evaluation of the firm's SQM in its performance evaluations of individuals having ultimate and operational responsibility for the firm's SQM.

4. The firm assigns risk assessment ratings to its attest engagements, and more experienced personnel are assigned to high-risk engagements.

5. The firm prepares engagement budgets that allow for unanticipated issues that often arise to ensure enough time is available to perform quality engagements. The firm does not pressure personnel to skip or shorten planned procedures under tight deadlines.

6. The firm demonstrates its commitment to quality through its mission statement, which includes the firm's core values and the importance of quality. The firm has established a formal code of conduct that reflects the firm's core value of quality and guides personnel to make appropriate decisions throughout their workday. The code of conduct is regularly communicated, reiterated, and available to all employees.

7. The firm allocates resources, including financial resources, in a manner that supports all areas of the firm, with emphasis on the accounting and auditing practice since it serves the public interest. The firm allocates more experienced and knowledgeable personnel to higher-risk accounting and auditing engagements.

8. The firm provides the SQM director with sufficient time, authority, and financial resources to develop, implement, and maintain the firm's QM policies and procedures. This includes having the ability to influence decisions made about current and future financial and other resource needs and how the firm obtains, develops, uses, and maintains such resources.

9. The firm has established policies and procedures to address engagement quality reviews pursuant to SQMS No. 2, Engagement Quality Reviews, and requires an engagement quality review (EQR) for audits or other engagements when (a) an EQR is required by law or regulation, or (b) the firm determines that an EQR is an appropriate response to one or more quality risks.

10. The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about noncompliance with the firm's SQM policies and procedures.

11. The firm has established policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements in conjunction with monitoring activities.

12. Individuals in the firm with leadership responsibility invite and welcome criticism and input from staff. Consensus is reached with staff on matters of disagreement.

13. The managing partner promptly addresses occurrences of firm leadership making decisions or acting in a manner that does not prioritize quality.

RELEVANT ETHICAL REQUIREMENTS

The quality objective of the relevant ethical requirements element of a system of quality control is to provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements (in fact and in appearance) when discharging professional responsibilities. Relevant ethical requirements include independence, integrity, and objectivity.

Thompson, Price, Scott, Adams & Co., P.A. satisfies this objective by establishing and maintaining the following policies and procedures.

It is the policy of our firm that all professional personnel be familiar with and adhere to relevant ethical requirements of the AICPA, contained in the *Code of Professional Conduct,* applicable State Boards of Accountancy, applicable State CPA Societies, state statutes and other regulatory agencies where applicable. Furthermore, it is the policy of our firm that for engagements that are subject to *Government Auditing Standards* and other applicable regulatory agencies, all professional personnel be familiar with and adhere to the relevant ethical requirements included in those standards, including any that may be more restrictive.

Additionally, when the firm and its professional personnel encounter situations that raise potential independence threats, but such situations are not specifically addressed by the independence rules of the AICPA *Code of Conduct,* the situation will be evaluated by referring to the *Conceptual Framework for Independence* and applying professional judgment to determine whether an independence breach exists. The firm takes appropriate action to eliminate threats to independence or mitigate them to an acceptable level by applying safeguards. If effective safeguards cannot be applied, the firm will withdraw from the engagement or take other corrective actions as appropriate to eliminate the breach.

The firm ensures compliance with these policies by implementing the following procedures:

1. The firm provides all personnel with online access to the relevant ethical requirements to which the firm is subject. The firm expects its engagement partners and other personnel to stay informed on those relevant ethical requirements.

2. The firm provides independence and ethics training for professional personnel at least annually. All profes-sional personnel who work on attest engagements and are required to be independent sign an independence representation form when hired and annually thereafter acknowledging their familiarity with the firm's relevant ethical requirements policy and procedures, particularly regarding independence.

   Copies of all completed independence confirmations are retained in our quality control books.

3. The firm maintains a list of the most common transactions, circumstances, and relationships that would impair the firm's independence and other relevant ethical requirements, and periodically reminds professional personnel to review the information.

4. The firm informs personnel of changes to the client list to ensure independence is maintained.

5. Important relevant ethical requirements are addressed by procedures within the work programs and standard forms in the accounting and auditing materials used by the firm, such as:

- Determine compliance with relevant ethical requirements, including independence, on each new and recurring attest client as part of the acceptance and continuance decision by completing relevant independence practice aids. Additionally, the independence practice aid is reviewed by a second person in the firm. For clients of whom the firm is not independent, the only attest service performed is a compilation and the firm discloses its lack of independence in the related report.

- Consider unpaid fees (billed and unbilled).

- Consider any familiarity threat related to senior personnel recurring on an attest engagement for five years or more.

- When another firm, or firm personnel in associated member firms, performs part of the engagement, the firm confirms the independence of the other firm and adherence to other relevant ethical requirements. Written confirmations are obtained regarding the other firm's independence with respect to audit engagements and either written or oral confirmations are obtained for review or attestation engagements. Oral confirmations are documented.

6. Certain important independence requirements are addressed by procedures within the work programs and standard forms in the accounting and auditing materials used by the firm. Such procedures-

- Identify nonattest services performed for attest clients and determine if the services threaten independence with respect to that client (including obtaining and documenting an understanding of how the firm was satisfied that client personnel had the skills, knowledge, or experience to oversee the nonattest services). The firm will only provide nonattest services to an attest client when the client accepts its responsibilities. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in Government Auditing Standards.

- Consider the firm's independence of attest clients at which professional personnel have been offered management positions or have accepted offers of employment.

- Consider whether actual or threatened litigation influences the firm's independence with respect to the client.

- Determine whether all professional personnel are independent of the financial reporting entity if the firm is engaged as the group auditor to report on the basic financial statements of the financial reporting entity.

- Consider whether the firm was party to a cooperative arrangement with a client that was material to the firm or the client.

7. The firm maintains an annual summary of all potential independence issues noted on the annual independence representation forms, which is reviewed by the SQM director. All relevant ethical requirements matters, including potential independence issues noted, are resolved by the SQM director, who is also responsible for determining actions to be taken when professional personnel violate firm independence policies and procedures. Documentation of the resolution of a relevant ethical requirements matter is filed in the client's workpaper files and retained in accordance with the firm's document retention policy.

8. If a breach of a relevant ethical requirement, including independence, is identified, the breach and the required corrective actions are promptly communicated to (a} the SQM director, (b} the engagement partner who (along with the firm} needs to address the breach, (c} other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action, and (d} those charged with governance at the attest client. The engagement partner confirms to the SQM director when required corrective actions related to the breach and noncompliance with these policies and procedures have been taken.

9. When there is a disagreement between the attest engagement partner and the managing partner or the SQM director, the firm requires contacting the AICPA Ethics Hotline. The written response from the AICPA is retained in the relevant attest file and the guidance is followed.

10. independence or violate the firm's relevant ethical requirements policies. A copy of the completed independence representation is retained in the firm's quality control notebook. Professional standards of relevant ethical requirements that govern the firm are available electronically through access to RIA Checkpoint or Accounting Research Manager. These standards, including the AICPA's Conceptual Framework for AICPA Independence Standards and the advice of the engagement partner may be consulted if an employee is unsure if a threat to independence should be reported to firm management.

11. If a potential threat to independence or other relevant ethical issue is identified, the engagement partner/staff accumulates and communicates relevant information to appropriate personnel so (a) firm management and the engagement partner or managing partner can determine whether they satisfy independence or ethical requirements, (b) the engagement partners can take appropriate action to address identified threats to independence or other relevant ethical requirements, (c) the firm can maintain current independence information and (d) the engagement partner should consult with others in the firm and take appropriate action. For clients of whom the firm is not independent, only compilation and preparation services are performed.

12. The engagement partner is responsible for communicating the identification of an independence issue or other relevant ethical requirement breach, and the engagement team understands the responsibilities of members if they become aware of such breaches. The engagement team also understands their responsibilities if they become aware of any noncompliance with laws and regulations by the client entity.

13. The engagement partner has the primary responsibility for determining whether actual or threatened litigation has an effect on the firm's independence with respect to the client or other relevant ethical requirements. The firm's independence or other ethical requirements could be impaired by litigation (a) between the client and the firm, and (b) from other third parties.

14. If the firm is engaged as principal auditor to report on the basic financial statements of a financial reporting entity, all professional personnel must be independent of the financial reporting entity. If the firm is engaged as principal auditor to report on a major fund, non-major fund, internal service fund, fiduciary fund, or governmental component unit of the financial reporting entity, all professional personnel must be independent of the fund or entity the firm reports on. The engagement partner has the primary responsibility for determining whether the firm's relationship with entities in the governmental financials statements has an effect on independence.

15. If a breach of independence is identified, the firm promptly communicates the breach and the required corrective actions to (a) the engagement partner, who (along with the firm) has the responsibility to address the breach and (b) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action. The engagement partner confirms to the firm when required corrective actions related to the breach and noncompliance with these policies and procedures has been taken.

16. The engagement partner remains alert throughout the audit engagement, by observing and making inquiries as needed, for breaches of relevant ethical requirements or the firm's related policies and procedures by those on the engagement team.

17. The engagement partner reviews the firm's ethical requirements policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented as part of our monitoring procedures. Changes, if necessary, to the system are made based on the results of that review.

ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

The quality objective of the Acceptance and Continuance of Client Relationships and Specific Engagements elements of a system of quality control is to establish criteria for deciding whether to accept or continue a client relationship and whether to perform a specific engagement for a client. Our client acceptance and continuance policies represent a key element in mitigating litigation and business risk. Accordingly, it is important that our firm be aware that the integrity and ethical values of client management could reflect the reliability of the client's accounting records and financial representations and, therefore, affect the firm's reputation or involvement in litigation. Our policies and procedures related to the acceptance and continuance of client relationships and specific engagements provides us with reasonable assurance that we will undertake or continue relationships and engagements only where we:

- Have considered the integrity of the client, including the identity and business reputation and ethical values of the client's principal owners, key management, related parties, and those charged with its governance, and the risks associated with providing professional services in the particular circumstances;
- Are competent to perform the engagement and have the capabilities and resources to do so in accordance with professional standards and applicable legal and regulatory requirements;
- Can comply with legal and ethical requirements (including proper state licensure); and have reached an understanding with the client, in writing, regarding the services to be performed.

Thompson, Price, Scott, Adams & Co., P.A.

It is the policy of our firm that, for all audit, attestation, review, compilation, and preparation service engagements, the acceptability of the client and the engagement be evaluated before the firm agrees to provide professional services. The firm will accept and continue only client relationships and specific engagements when it has determined that the requisite competence and capabilities (including adequate time, resources, and licensure) exists within the firm to perform the engagement and the firm can comply with legal and relevant ethical requirements. Additionally, the firm will only undertake or continue relationships and engagements when the firm has considered the integrity of the client and does not obtain information indicating that the client lacks integrity. The procedures listed below are followed to ensure compliance with this policy:

1. For each prospective client that requests for the first time a preparation, compilation, review, attestation, or audit service, the partner making initial contact with the client is required to complete an engagement acceptance and continuance form pertinent for the type of service(s) requested. The completed form is routed to the managing partner who decides whether to accept or reject the prospective client and documents that conclusion on the form.

2. The firm gains a thorough understanding of the prospective client and determines if it has appropriate knowledge, experience, and competency to perform the engagement. The firm accepts engagements in new industries, new types of engagements, or those requiring specialized knowledge only when the firm is willing to make the investment to acquire the necessary competency. This generally includes assigning more exper-ienced staff to the client engagement and/or requiring the engagement team to take appropriate CPE before planning the engagement. It also may necessitate using external resources for the engagement.

3. For existing attest clients, the managing partner annually reviews the firm's client list and reevaluates the acceptability of each client and engagement. In addition, prior to commencing the engagement, the engagement partner ensures that the relevant section of the engagement acceptance and continuance form has been completed. {The engagement acceptance and continuance form is located in the accounting and auditing materials used by the firm.) Continuance concerns or issues are brought to the attention of the managing partner.

4. The firm's acceptance and continuance form includes procedures that apply to the circumstance of an existing client requesting new attest or nonattest services. The existing engagement partner completes the relevant information and discusses the potential new service with the managing partner. The engagement partner also determines if any potential nonattest services would threaten independence with respect to the client and, if so, takes appropriate actions to maintain the firm's independence.

5. The firm's acceptance and continuance decisions consider factors that influence the firm's ability to perform the engagement, such as staffing requirements compared to available personnel resources, reporting deadlines, and technological and intellectual resource needs.

6. The firm has established policies or procedures that address situations that occur where the firm becomes aware of information after accepting or continuing a client relationship or specific engagement that would have caused the firm to decline the client relationship or specific engagement if that information had been known initially. In that situation, the engagement partner promptly communicates the information to the managing partner who considers whether there are any professional, regulatory, or legal requirements that obligate the firm to remain associated with the client and the engagement or to report the withdrawal to regulatory authorities. The engagement partner and managing partner jointly decide whether to withdraw from an attest engagement or from the client relationship. This may necessitate consultation with legal counsel. Significant issues, consultations, conclusions, and the basis for the conclusions are documented when withdrawal from an engagement or from both the engagement and the client relationship occurs.

7. The firm bills for its work, whether based on time spent or a fixed fee arrangement, in a manner that ensures that the engagement fee is sufficient to enable the engagement team to perform the engagement in compliance with professional standards.

8. After completing an engagement, the engagement team considers whether the client relationship and specific engagement is appropriate to continue. For those engagements where a change has occurred that potentially affects whether the firm will continue to provide services, the situation is discussed with the managing partner.

9. The managing partner annually approves partner compensation and any incentive bonus based upon criteria established by the partner group. Such criteria reward quality service and do not place commercial considera-tions ahead of the quality of work performed, including making appropriate decisions about accepting or continuing client relationships and specific engagements.

ENGAGEMENT PERFORMANCE

The quality objective of the engagement performance element of a system of quality control is to provide the firm with reasonable assurance (a) that engagements are consistently performed in accordance with applicable professional standards and regulatory and legal requirements, and (b) that the firm or the engagement partner issues reports that are appropriate in the circumstances. Policies and procedures for engagement performance should address all phases of the design and execution of the engagement, including engagement performance, supervision responsibilities, and review responsibilities. Policies and procedures should also require that consultation takes place when appropriate. In addition, a policy should establish criteria against which all engagements are to be evaluated to determine whether an independent review should be reviewed.

Engagement performance encompasses many aspects of performing an engagement, from the initial planning stages to the issuance of the report, assembly, and retention of the workpapers. Additionally, it is not uncommon for the firm's engagement teams to occasionally encounter difficult or contentious issues that result in the need for consultation or that create differences of opinion. The firm believes in a strong system of quality management (SQM) and supports frequent engagement quality reviews. While all these activities are part of the engagement performance element of the SQM, the firm has chosen to differentiate certain activities within this section of the

SQM document for ease of understanding. The activities are segregated as follows:

- Engagement Performance and Documentation
- Consultation and Differences of Opinion

Policies and procedures for each of those engagement performance activities are described below.

Engagement Performance and Documentation

It is the firm's policy that all audit, attestation, review, compilation, and preparation service engagements be properly planned, performed, supervised, reviewed, documented, and reported or communicated in accordance with the requirements of professional standards, applicable legal and regulatory requirements, and the firm. In this regard, the firm's system of engagement performance quality control (QC) steps is to be followed:

1. Each engagement is assigned to an engagement partner who accepts overall responsibility for managing and achieving quality on the engagement. The firm ensures that the workload of its engagement partners allows them to effectively manage and be regularly and appropriately involved in each engagement for which they are responsible.

2. The firm uses PPC's accounting and auditing materials as an integral part of its SQM to assist with promoting consistency in the quality of engagement performance. The managing partner ensures the appropriateness of such materials for the firm's practice, including updating and modifying the materials (as needed) for perform-ance of the firm's engagements. Professional personnel are trained in the use of PPC's accounting and auditing materials to ensure appropriate completion of engagement procedures as required by professional standards, type of engagement, client applicable laws and regulations, and the firm.

3. If the firm accepts a new type of engagement or a client in an industry in which the firm's personnel lack recent experience, the firm requires all senior members of the engagement team to take appropriate engagement level or industry-specific CPE before the engagement's planning procedures are performed.

4. The engagement partner takes responsibility for the direction and supervision of engagement teams and ensures that review of the work performed is appropriate considering the nature and circumstances of the engagement. The engagement partner also ensures that the resources used by the engagement team are sufficient.

5. The firm requires that suitably experienced engagement team members review the work performed by other engagement team members. The engagement partner will ensure that appropriate supervision occurs during and at the conclusion of the engagement. Supervisory reviews, including engagement partner reviews, are to be documented in the engagement file.

6. The firm trains its engagement teams in the use of the firm's accounting and auditing materials to ensure appropriate completion of engagement procedures as required by professional standards, applicable laws and regulations, and the firm. The firm emphasizes to engagement teams how professional skepticism supports the quality of the judgments made on assurance engagements.

7. Prior to issuing a report for an audit or attestation engagement, the engagement partner ensures that sufficient engagement evidence is obtained to support the report opinion. On SSARS engagements, the engagement partner ensures that appropriate engagement documentation is maintained.

8. The firm complies with time limits established by professional standards and laws and regulations that address the assembly of final engagement files for specific types of engagements. The firm has established assembly deadlines for all engagements.

9. The firm maintains and retains engagement documentation for a period sufficient to meet the needs of the firm, professional standards, and laws and regulations. The firm's engagement documentation retention policies also consider the advice of the firm's legal and insurance carriers, as appropriate.

Consultation and Differences of Opinion

The firm's policy is that personnel refer to authoritative literature or other sources when appropriate. Also, the firm's policy is that all professional personnel seek consultation on a timely basis, within or outside the firm, whenever differences of opinion occur or uncertainties exist regarding a technical issue. The firm ensures compliance with this policy by implementing the following procedures:

1. Differences of opinion that affect engagement teams are resolved as soon as possible using procedures put in place by the firm. The firm will not release the report until all differences of opinion are resolved. Differences of opinion between the engagement partner and the engagement quality reviewer are communicated to the managing partner for resolution.

2. The engagement partner ensures that appropriate consultation takes place on difficult or contentious matters. The engagement partner ensures that-

   - Members of the engagement team follow the firm's consultation policies during the engagement.
   - The nature and scope of the consultation are agreed upon with the party consulted.
   - The resulting conclusions are understood by the parties involved.
   - The conclusions are implemented.

RESOURCES

The quality objective of the resources element of a system of quality control is to provide the firm with reasonable assurance that it has established policies to address obtaining, developing, using, maintaining, allocating, and assigning resources in a timely manner to permit the design, implementation and operation of the system of quality management. The firm determines sufficient and appropriate resources exist to perform the engagement. These quality objectives not only include human resources, but also technological and intellectual resources

Having effective quality control policies and procedures over the human resources element will help ensure the proficiency of its personnel. The activities of our resources SQM include-

- Human Resources.
- Other resources, including technology resources.

Policies and procedures for each of these activities are detailed below.

Human Resources

The firm's intent is to succeed in the marketplace by having partners and staff who possess the competence, capabilities, and commitment to ethical principles to assure that engagements performed by the firm are in accordance with professional standards and applicable legal and regulatory requirements, and that appropriate reports are issued in the circumstances. Having effective SQM policies and procedures over the human resources element helps to ensure the proficiency of personnel. The firm ensures compliance with this policy by implementing the following procedures:

1. Individuals with high levels of integrity, competence, intelligence, maturity, motivation, appropriate academic training, and, if applicable, appropriate public accounting experience are hired, developed, and retained.

2. In the unusual situation where the firm accepts an audit in an industry that the firm's personnel have not previously audited and professional education is insufficient for the engagement team to obtain the requisite competence to perform the engagement or for situations when the firm does not have sufficient or appropriate personnel to perform an engagement or to operate the firm's SQM, the firm engages a suitably qualified external individual to assist with the performance of the audit as a member of the engagement team.

3. The firm selects individuals with appropriate experience, knowledge, influence, and authority within the firm and sufficient time to fulfill their assigned responsibilities to carry out duties related to the operation of the firm's SQM. Those individuals understand their assigned roles and are held accountable.

4. In addition to assessing the engagement partner's competencies and capabilities, the managing partner clearly defines and communicates the responsibilities and authority of an engagement partner to that partner and evaluates the partner's workload to ensure that they have the time to adequately perform the role. The engagement partner accepts overall responsibility for managing and achieving quality on the engagement.

5. The engagement partner works with the firm to assign engagement team members (including any external individuals) who possess appropriate competence and capabilities, and have sufficient time, to perform a quality engagement before any engagement procedures are performed.

6. The firm takes the operation of its SQM seriously and, accordingly, only individuals who possess the necessary competence and capabilities, including sufficient time, are assigned to perform activities within the firm's SQM.

7. The firm regularly evaluates the performance of its professional staff, including that they demonstrate-

   A commitment to quality through their actions and behaviors.

   A level of competence appropriate for their roles.

   Performance appraisals evaluate whether personnel are committed to quality in how they conduct themselves when performing engagements.

8. Firm personnel understand that their failure to adhere to the firm's expectations related to quality performance, ethical principles, and competence may result in more training, additional time at the present level, or more severe consequences.

9. The firm provides professional personnel information describing career paths for those who satisfy the development criteria established.

Other Resources, Including Technology Resources

The firm's policy is that appropriate other resources, including technological resources, are obtained or developed, implemented, maintained, and used to permit operation of the firm's SQM and the performance of engagements. The firm ensures compliance with this policy by implementing the following procedures:

1. After considering the appropriateness of PPC accounting and auditing materials, including technological resources, the firm adopts and integrates the use of such materials to support the consistent performance of quality engagements and the operation of the firm's SQM. Other intellectual resources are obtained or developed, as needed, and are appropriately implemented and maintained to support industry specialization, practice management topics, or other areas of the firm's SQM.
2. The firm considers annually whether its technological resources are appropriate given the size, nature, and circumstances of the firm and its engagements. The firm also considers whether technology issues in the firm indicate that enhancement in technological resources may be needed.
3. Engagement team members communicate to the firm when the technological or intellectual resource needs (such as software or industry guides, for example) are insufficient to perform engagements.
4. The firm appropriately maintains security and controls over IT resources, including protection against malware or hacks.

5. The firm assigns specific partners or staff the responsibility of monitoring advances and updates to the technological resources the firm uses.
6. The firm ensures that personnel are appropriately trained on the availability and use of technological resources.
7. When the firm uses a service provider as a human, technological, or intellectual resource, the firm identifies and assesses the quality risks of the situation by obtaining an understanding of the conditions, events, circum-stances, actions, or inactions relating to the service provider that may adversely affect the firm's achievement of its quality objectives.

INFORMATION AND COMMUNICATION

The firm's policy is that the information system should enable the firm's system of quality management (SQM) to properly function and support decisions made about the SQM. It includes the processes that affect identifying, capturing, processing, maintaining, and communicating information, whether manual or electronic. The firm ensures compliance with this policy by implementing the following procedures:

1. The firm reviews its existing information system annually and considers its appropriateness and whether changes should be made to better identify, capture, process, and maintain relevant and reliable internal and external information to support the firm's SQM.

2. The firm's culture recognizes, supports, and expects appropriate transparency and forthright communication at all levels and by all personnel to exchange information that enhances quality throughout the firm. The firm encourages such communication during its biweekly partner and staff meetings, and during engagement team meetings.

3. The firm has established effective two-way communication throughout the firm and with engagement teams to permit (1) personnel and engagement teams to carry out their responsibilities for performing engagements or performing activities within the SQM and (2) personnel and engagement teams to communicate information to the firm as they perform engagements and perform activities within the SQM.

4. The firm has established policies or procedures that address (1) when it is appropriate to communicate with the firm's network or service providers about the firm's SQM, and (2) the information to be provided when communicating externally about the firm's SQM, including the nature, timing, and extent and appropriate form of communication.

5. The firm communicates relevant and reliable information externally when required by law, regulation, or professional standards, or to support external parties' understanding of the firm's SQM. For instance, the firm has chosen to provide information about its most recent peer review on the firm's website.

MONITORING AND REMEDIATION

The firm's policy is that the system of quality management (SQM) be monitored on both an ongoing and periodic basis to provide information that is relevant, reliable, and timely about the design, implementation, and operation of the firm's SQM. Additionally, monitoring activities performed are designed to identify deficiencies in the SQM and remediate them timely. The firm's monitoring activities include inspecting/reviewing completed engagements and determining the engagements and engagement partners to monitor, review of engagement documentation, reports and financial statements, and other components covered by the SQM. The firm ensures compliance with this policy by implementing the following procedures:

- Adherence to professional standards and regulatory and legal requirements
- Whether the quality control system has been appropriately designed and effectively implemented
- Whether the firm's quality control policies and procedures have been operating effectively so that reports issued by the firm are appropriate in the circumstances

Thompson, Price, Scott, Adams & Co., P.A. satisfies this objective by establishing and maintaining the following policies and procedures.

It is policy of our firm that our quality control system be monitored on an ongoing basis to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the elements of quality control are relevant, adequate, operating effectively, and being effectively applied. Monitoring activities include engagement quality control reviews (EQCR), inspection, and post-issuance review. EQCR, performed prior to completion of the engagements, assists in providing ongoing consideration and evaluation of the firm's quality control system. The policy and procedures relating to EQCR are addressed in the ENGAGEMENT PERFORMANCE section of this document. The retrospective monitoring activities performed by the firm relate to inspection and post-issuance review (collectively referred to as inspection/review*)* and are the primary activities addressed in these monitoring policy and procedures.

As an integral part of the monitoring process, inspection/review procedures are performed on all elements of the firm's quality control system at least annually to determine whether the firm has complied with applicable professional standards and its stated quality control policies and procedures.

The procedures listed below are followed to ensure compliance with this policy:

1. At least annually, the managing partner selects an individual or team (hereafter referred to as the "inspection team") to perform inspection procedures on the firm's quality control system. The inspectors should possess adequate technical knowledge and experience and, when practical, should not be directly involved in the administration, supervision, or performance of the quality control procedures of engagements each will inspect. One inspector on each office inspection team will be designated as the team captain. The inspection will include a review of the governmental audit practice in accordance with the AICPA guidance provided. The monitoring process is planned, performed, and documented using the appropriate monitoring checklist found in the practice aid section of *PPC's Guide to Quality Control* as a work program. The monitoring procedures include review of administrative records to assess compliance relating to quality control elements other than engagement performance. The monitoring activities include review of administrative records to assess compliance relating to QM components other than engagement performance.

2. At the conclusion of the inspection/review, the team captain is responsible for completing the "Evaluation of Findings" form in the practice aid section of PPC's Guide to Quality Management, which documents findings, identified deficiencies and their root causes, and remedial actions taken. The team captain also discusses the results of the monitoring activities performed with the SQM director, engagement partners, and other appropri-ate personnel responsible for each of the engagements and QM components selected for review. Evaluating identified deficiencies, determining their root causes, and the appropriate remedial actions to take is generally a combined effort of the team captain and those individuals who are responsible for the affected engagements and QM components where deficiencies were identified. Engagement partners consider whether any identified deficiencies noted in the monitoring team's results may affect other audit engagements.

3. The firm pursues one or more of the following actions resulting from its evaluation of the deficiencies noted during inspection/review:

    - Implement the remedial action determined to be appropriate for the engagement or QM component.
    - Revise the related quality objective, quality risk, or response (QM policy or procedure).
    - Discipline individuals who failed to follow the firm's QM policies and procedures.
    - Communicate the need for additional training or CPE to those responsible for training and professional development when it appears that the root cause of an identified deficiency may be a lack of training or understanding by firm personnel.

4. In addition, if a materially nonconforming engagement or other significant deficiency is identified, the firm takes appropriate action that, depending on the severity of the deficiency(ies), may also include one or more of the following internal actions:

   - Require the engagement partner and team members to take relevant CPE.
   - Require an EQR on the engagement partner's future engagements in the specific industry or type of engagement.
   - Prohibit the engagement partner from performing future engagements in the specific industry or type of engagement.
   - Consider whether other actions should be taken.

5. If monitoring activities indicate that required engagement procedures were not performed or that an issued report is inappropriate, the firm (a) takes appropriate action to comply with relevant professional standards and applicable legal and regulatory requirements, and (b) when the issued report is determined to be inappropriate, considers the implications and takes appropriate action, which may include obtaining legal advice and communicating the matter to the firm's legal liability insurance carrier.

6. After remedial actions are implemented, those assigned operational responsibility for the monitoring and remediation process, evaluate whether the remedial actions have been effective in addressing the identified deficiencies. If the evaluation indicates that a remedial action is unsatisfactory, further appropriate action is taken to modify the remedial action such that it is effective. This evaluation is documented on the "Evaluation of Findings" form in the practice aid section of PPC's Guide to Quality Management.

7. At least annually, the individuals who have been assigned operational responsibility for monitoring and remediation, timely communicate the results of the monitoring and remediation process to the managing partner, the SQM director, and to engagement teams and other individuals assigned activities within the SQM to enable them to take prompt and appropriate action in accordance with their defined roles and responsibilities. The communication provides a description of (a) the monitoring activities performed, (b) the deficiencies identified, including their severity and pervasiveness, and (c) the remedial actions taken to address the root causes of the identified deficiencies. Engagement partners consider whether any identified deficiencies noted in communication may affect their engagements.

8. In addition to the firm's inspection/review and other monitoring procedures, the firm is subject every three years to a peer review in accordance with the requirements of the AICPA and the North Carolina State Board of Accountancy. The managing partner is responsible for scheduling and coordinating that review.

   - In accordance with the membership requirements of the AICPA Governmental Audit Quality Center and the AICPA Employee Benefit Plan Audit Quality Center, the engagement letter covering the firm's peer review requires that the governmental audits and ERISA employee benefit plan audits selected for review during the firm's peer review are reviewed by someone who is employed by a member firm of the respective Center. Also, information relative to the firm's most recently accepted peer review is available to the public in accordance with the membership requirements of the respective Centers.
   - The internal inspection/review results (including those specific to the firm's governmental audit engagements and ERISA employ benefit plan audit engagements selected for inspection/review) and annual monitoring and remediation communication are made available to the firm's peer review team.

9. The managing partner periodically reminds personnel during staff meetings that any concerns regarding complaints or allegations may be communicated to the firm without fear of reprisal. The firm is particularly interested in complaints and allegations about the firm's noncompliance with professional standards, applicable legal and regulatory requirements, and the firm's SQM. The firm addresses complaints and allegations by-

   - Establishing channels of communication for complaints and allegations through the firm's website and communicating such information to employees and clients.

- Investigating complaints and allegations and involving legal counsel if considered necessary. The firm assigns partners to this process who are trained and knowledgeable about firm procedures and who are not otherwise involved in the engagement or the operation of the SQM relating to the complaint or allegation.

- Documenting all complaints and allegations.

10. The firm documents the performance of each component of its SQM on an ongoing basis, as well as in conjunction with documenting its monitoring of the system. The firm retains documentation evidencing the operation of its QM policies and procedures for a time sufficient to allow those monitoring the SQM, including peer reviewers, to evaluate the firm's compliance with its system.

SUMMARY

The quality management document is to be complied with using professional judgment. The managing partner and/ or another partner may issue a report without review or may add/delete to the steps contained therein if in their professional judgment the engagement is performed in accordance with all appropriate requirements. The firm uses the guides of Practitioners Publishing Company as its main source for professional guidance, checklists and audit programs but the partner-in-charge of an engagement may substitute other material if more appropriate in his/her opinion.

At any time a circumstance arises that is not addressed in this document, the PPC and AICPA resources used in drafting this document will be considered in resolving such circumstance.