City of Charleston
Procurement Division
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Charleston, SC 29401

Addendum #1 Questions & Answers Revised

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Date: November 29, 2010
To: All Offerors
From: Gary Cooper
Subject: Solicitation #10-P036C – Audit Services RFP

This Addendum No. 1 modifies the solicitation only in the manner and to the extent as stated herein.

I. Questions and Answers:

1. **Why is the City requesting proposals?**
   The 5 year term of the last bid proposal expired.

2. **How long has WebsterRogers, LLP served as the City's auditors?**
   Ten years (including the predecessor firm, Bryan Truesdale Adkins & Williams, P.A.) They have won the last two RFPs.

3. **When was the last time the City changed audit firms?**
   See #2.
   a. **What was the deciding factor for the change?**
      See #1

4. **Regarding the blended component unit – City of Charleston Public Finance Corporation:**
   a. **Please confirm whether this entity is included in the scope of the RFP.**
      Yes, as noted in the CAFR and RFP.

   b. **Does the City Finance department maintain the books and records of the entity or are they maintained separately at another location?**
      There are no separate books. Please see Note I.A. of the CAFR.

   c. **If at another location, where is the entity located in relation to the City's finance department?**
      N/A.

   d. **Are their books and records available and closed following the same schedule as the City's other funds and accounts?**
      N/A.

   e. **Have there been any difficulties obtaining access or completion of audit procedures as it relates to the entity?**
      No.

5. **Regarding the discretely presented component unit (excluded from the scope of the RFP):**
    a. **When is the report from other auditors available for inclusion in the CAFR?**
    Last year's audit report was dated May 12, 2010.

        i. **Please specify whether there have been delays in prior years in receiving the report in sufficient time to adhere to the City's deadlines.**
        No, there have not been delays.

6. **Please describe the role of Internal Audit in the City for proper evaluation related to the extent of reliance?**
    a. **Application of professional standards**
    Internal Audit follows the International Standards for the Professional Practice of Internal Auditing and GAGAS; however, the reports do not include this language.

    b. **Role in reviewing, assessing and monitoring internal controls.**
    Internal controls are reviewed and assessed for each audit performed. In addition, Internal Audit works with departments regularly to ensure internal controls are in place for any new processes or procedures, or changes to current procedures.

    c. **Types of audits conducted and reports issued during the fiscal year that may have relevance on the planning and conduct of the audits.**
    The majority of audits conducted are testing internal controls, compliance with City policies and compliance with contract provisions. Internal Audit tests accounts payable every year and does the follow-up on prior year external audit findings.

    d. **What type of assistance has been provided in prior years and the impact the assistance had on the conduct of the audit (efficiencies).**
    Last year, Internal Audit provided 50 hours of assistance to the audit. In the past, Internal Audit has performed the expenditure testing, payroll testing, the follow-up to prior year audit findings and observation of capital assets. This past year, Internal Audit performed the expenditure testing, the follow-up to prior year audit findings and some internal control assessments for the cash management functions of some of our enterprise activities.

7. **Has the City documented its Internal Control system over financial reporting and compliance with laws and regulations?**
    Yes.
    a. **If so, please describe the format of the documentation –**
        i. **Flowcharts,**
        ii. **Narratives,**
        iii. **Procedures**
        Policies and procedures.

    b. **Describe the risk assessment process and how monitoring the effectiveness of the system is conducted.**
    The Internal Auditor tests compliance with internal controls and periodically performs a Citywide risk assessment in preparation of her audit plan.

8. **What accounting system does the City utilize?**
    SunGard IFAS (Integrated Financial and Administrative Solution)

a. **Can data be extracted from the system and exported into either a text, delimited file or Excel?**
   Yes.
b. **How long has the City utilized the system?**
   Since 2002.
c. **Have there been any modifications or changes during the current year to the system or its modules and how they interrelate?**
   We implemented use of the Accounts Receivable module.

9. **Describe any difficulties encountered in the past 3 years in conducting the audit or completing the audit within the City's timetable.**
   None.

10. **Is the audit firm allowed to conduct interim audit procedures prior to April 2011?**
    Yes.
    a. **Please provide a time table of when the audit firm will be granted access for gaining an understanding of Internal Controls and possibly performing test of controls.**
       Depending on the department, early to mid February.

11. **How many audit adjustments were proposed during the past 3 years?**
    Minimal.
    a. **How many were accepted and recorded?**
       All.

12. **Have there been any significant changes in management, operations, or finances between the prior year and FY 2010?**
    No.
    For example
    a. **Any new debt issued – either long term or short term?**
       Yes.
    b. **New programs or elimination of old programs?**
       No.

13. **Is the City planning on implementing GASB 54- New fund balance for the FY 2010 audit?**
    No.
    a. **If so, has the City already made an assessment of funds and categories, for classification of the fund balance components?**
       N/A.
    b. **If not, what type and to what extent of involvement is the City planning on relying of auditor assistance?**
       Moderate guidance as to implementation.

14. **What have been the audit fees for the past 3 years?**
    a. **Financial audit**
       Fees were not broken down between financial audit and Single Audit.
    b. **Single audit**
       Fees were not broken down between financial audit and Single Audit.

c. **Other services**
In 2007 there was a surcharge for the implementation of the risk assessment SASs. In other years, there were no additional fees other than printing costs. These are shown below.

d. **Total fees paid to audit firm.**
2007: $75,350 audit + $11,680 surcharge + $1,300 printing = $88,330 total fees
2008: $77,610 audit + $1,200 printing = $78,810 total fees
2009: $77,610 audit + $1,200 printing = $78,810 total fees

15. **How many audit personnel were assigned to the City audit in the past 3 years?**
Level of staffing varied from 2 to 5 personnel.
    a. **What was the level of experience for each personnel assigned?**
    Manager/principal, senior and staff.
    b. **How much time was devoted to on site fieldwork?**
    Approximately 6 to 8 weeks.

16. **Does the City have plans for a software upgrade or change within the next five years?**
Yes.

17. **What were the fees and estimated hours for the 2009 audit?**
See #s 14 & 15
    a. **How many hours of assistance were received from the internal auditor?**
    See #6d

18. **Were any additional services performed or assistance provided by the audit firm outside of the audit?**
Yes.
If so, what were the services/assistance provided and the related fees?
Consultation as to accounting matters during the year – no additional fees.

19. **Why is the City of Charleston bidding out the audit? Are there issues with the current auditors?**
See #s 1 & 9

20. **Who is responsible for new pronouncements and standards and their implementation?**
The Finance Director is the person responsible.

21. **Who is responsible for the accuracy and completeness of information provided to the auditors?**
City management, primarily the CFO and the Finance Division, is the responsible party.

22. **Who is responsible for the fairness and completeness of the financial statement and disclosures?**
City management, primarily the CFO and the Finance Director, is the responsible party.

23. **Does the City have on staff an individual or individuals that are knowledgeable and familiar with U.S. Governmental accounting standards and the GASB financial statement format and disclosures, in order to take responsibility for the financial statements?**
Yes.

24. **Who compiles all information for the financial statement?**
    See RFP.

25. **When will work papers and financial statements be complete and ready to audit?**
    See RFP.

26. **When, normally, is the audit work done?**
    Field work is normally performed mid-April to the beginning of June.

27. **What responsibility does the City take with respect to the financial statements?**
    Full.

28. **What role does governance play in the financial reporting process, with respect to internal control, and with the audit process itself?**
    See RFP.

29. **Who compiles the Schedule of Clerk of Court Fines and Fees?**
    The City compiles the Schedule of Clerk of Court Fines and Fees.

30. **Will our potential role as liaison to offices of the state and/or federal government including "coordination with the City's oversight agency" in the audit process involve advocacy or management functions?**
    No.

31. **Will management be responsible for oversight of any additional and or supplemental services in order to determine that there are no violations of professional standards?**
    Yes, if deemed necessary.

32. **Does the City have a formal risk assessment process?**
    No.

33. **Does the City's system of internal controls include the COSO model from the Treadway Commission?**
    No.

34. **Who prepares the Schedule of Expenditures of Federal Awards?**
    The Finance Division as set forth in the RFP.

35. **How much have you paid the auditing firm each year for the past three years in order to accomplish this body of work?**
    See #14

36. **On page 21 of the RFP there is a reference to audit requirements of various trust documents. Can you please explain what the specific requirements are in those trust documents?**
    Principally, the requirements are that an audit must be performed within certain time requirements. Further detail may be obtained from reviewing the documents as specified in the RFP.

37. **On the cost proposal form, when there is a reference to 100 hours and 200 hours of assistance from City audit staff:**
    a. **Has that been utilized in the past?**
       Yes.
    b. **What kind of assistance does the City have in mind?**
       Expenditure testing.
    c. **Is it assistance from the internal auditor?**
       Yes. See #6

38. **How many adjustments were proposed by the auditors during the prior year audit?**
    See #11

39. **What was the prior year audit fee?**
    See #14

40. **Is the City open to interim work being performed during the January through March period, primarily for planning and single audit testing?**
    See #10

41. **Would there be any interest by the City in beginning final fieldwork earlier than April 15th?**
    Probably not, as it takes that long to substantially complete both the trial balance and the SEFA.

42. **What accounting software does the City use?**
    See #8
    a. **How will the auditor be provided access to the accounting data?**
       Electronically. A computer and log-in to the City's system is provided.

43. **Are there any significant changes at the City in the 2010 fiscal year compared to the 2009 fiscal year that would result in significant changes to the audit?**
    See #12

44. **Does the City participate in any derivatives?**
    No.

45. **Is there a preliminary SEFA for 2010?**
    No.
    a. **How much ARRA funding has the City received in 2010?**
       Approximately $3 million.

46. **How many Information Technology audit reports were issued by the City's internal auditor in the last 2 years?**
    None.

47. **Does the internal auditor conduct procedures with respect to the City's supply inventory at year end?**
    No.

48. What was the audit fee for the audit of the December 31, 2009 financial statements?
See #14

49. What was the audit fee for the single audit for 2009?
See #14

50. When was the last physical inventory of capital assets conducted by the City?
Lists are sent to the Departments annually for them to perform inventories. Other counts are performed on a periodic or cyclical basis.

51. Have any program audits been conducted by grantors in the last 2 years?
Yes.

52. Are there any bond covenants that require additional reports?
No.

a. How much time do the auditors spend as it relates to auditing bond covenants?
We do not know.

53. How many hours of internal audit assistance will be available to assist us with our external audit procedures?
None, unless one of the "lump sum price with assistance from City Audit Staff" options is chosen by the City.

54. Does the internal auditor have an audit plan and can that be used to assist to external auditor?
Yes.

55. Will GASB 51 have an effect on the City this year?
Not materially.

56. Can we get a copy of the management letter/SAS 115 letter (Communication on internal control deficiencies) from the FY09 audit?
One was not issued.

57. Can we get a copy of the SAS 114 letter "Required auditor communications"?
Yes, this will be posted on our website.

58. Can we get a copy of the 2008 and 2007 compliance reports?
Yes, this will be posted on our website.

59. Has the City received any new ARRA funding in 2010? If so, what grants and how much was spent in 2010?
See #45

60. I understand that the 2009 audit fee will be posted online. Do you know how many hours the previous audit firm spent on the 2009 audit – can this be broken down by staff level?
No.

61. I see some HUD grants listed in the compliance report. Is there any required reporting to HUD, using REAC?
No.

62. **Please provide a list of items, schedule of requirements, scope of work, terms of reference and a bill of materials required?**
    Refer to solicitation document for the above mentioned items

63. **Please provide a soft copy of the tender document through the email?**
    This can be found on our website, www.charleston-sc.gov, Bidline, Procurement Bids.

64. **Please provide the names of countries that will be eligible to participate in this tender?**
    As long as the specifications are met and the product can be delivered in a timely manner, anyone qualified and able to participate in the solicitation may submit a bid.

65. **Please provide information about the tendering procedure and guidelines?**
    That can be found in the solicitation document.

66. **Please provide the estimated budget for this purchase?**
    Budget for this project will not be provided.

67. **Is there any extension of bidding deadline?**
    Unless unforeseen happenings occur, there will be no extension of the bidding deadline.

68. **Are there any addenda or Pre-Bid meeting minutes?**
    Any addenda can be found on our website (mentioned above). There were no minutes from that meeting.

69. **In regards to MWBE compliance requirements, if our firm filled out Affidavit C – Intent to Perform Contract with Own Workforce, are we also required to complete Affidavit A – Listing of Good Faith Effort & Identification of Minority and Women-Owned Business Participation?**
    If you are filling out Affidavit C, then the only other form you need to complete is page 16, City of Charleston Minority/Women-Owned Business Enterprise (M/WBE) Compliance Provisions.
    a. **Since the City has a 20% policy for this project, is it preferred to subcontract a MWBE, or considered in the evaluation process?**
       While the City does have a goal of 20%, it is up to the vendor if and who they choose to partner with.

70. **What was the City's prior year audit fee?**
    See #14.

71. **Do we need to submit our Insurance Certificates with our proposal?**
    Prior to contract award, the selected vendor may be required to submit any Insurance Certificates.

Respondent shall acknowledge receipt of this addendum by completing this section and returning it with the Bid Submittal. Failure to acknowledge this addendum may be cause for rejection.

_____	_____
Offeror	Title
_____	_____
Authorized Representative	Date