

REQUEST FOR PROPOSAL (RFP)
FCARC – 037

Auditing Services



ADDENDUM NO. 1
April 21, 2010

CERTIFICATION OF RECEIPT OF ADDENDUM

I certify that I have received this addendum on behalf of the company listed below.

Signed: _____ Dated: _____

Name and title: _____

Company: _____

ADDENDUM NO. 1
TO RFP #FCARC-037

1.0 This addendum is considered to be part of the RFP. All other terms of the RFP remain unchanged and in effect. This addendum is intended to provide additional information and/or to change requirements in the above referenced RFP. Any information contained herein will be considered part of the RFP and as such will be used in the evaluation of the bid responses. Attention all potential bidders, if you submitted your proposal prior to the bid closing date, please review this addendum and re-submit your bid response regardless if this addendum modifies your initial bid response.

2.0 To verify that all Vendors have received a copy of this addendum, please sign the cover page of this addendum and return it with your proposal to:

Riverside County Flood Control
and Water Conservation District
Attention: Annie Ortega
RFP# FCARC-037
1995 Market Street; Riverside, CA 92501

3.0 The information in this addendum is primarily the result of the vendor inquiries, clarifications from the District and questions asked at the non-mandatory bidder meeting.

4.0 CLARIFICATIONS FROM THE DISTRICT

4.1 The Request for Quote will be become a Request for Proposal.

4.2 The Request for Proposal's deadline will change from May 4, 2010 at 2:30 p.m. to May 4, 2010 at 1:30 p.m.

4.3 The District is requesting an additional copy of the Respondent proposal. Thus, a total of four proposals are required to meet the requirement (one original and three copies). Refer to Section 7.2 of the RFP.

4.4 The deadline date for Respondent questions is April 19, 2010; Section 14.2 of the RFP was noted incorrectly.

**5.0 Questions from Bidders:
REGARDING RFP PROCESS**

5.1 In the RFP, one of the requirements is familiarity with the Districts manuals and standards. How can we acquire that familiarity in order to be qualified to propose?

Answer: In terms of the manuals that the District follows, all information is available through the County Auditor Controller website [or main office]. While we know all firms are not familiar until they get in to perform an audit, we do expect that the selected firm has had a chance to review and familiarize themselves with these manuals.

REGARDING SCOPE OF WORK

5.2 Why are you requesting proposals? Are you satisfied with the services of the current auditing firm?
Who are you current auditors?

Answer: The term of the District's prior year Auditing Services agreement with Mayer Hoffman McCann P.C. concluded thereby requiring the District to initiate a new request for proposal. The auditing services provided were satisfactory.

5.3 What were your prior year audit fees?

Answer: Prior year audit fees ranged from \$25,000.00 - \$30,000.00.

5.4 How long have you used your current auditor?

Answer: One year.

5.5 Did you have any disagreements with your prior auditor?

Answer: No disagreements, however after the audit, in our audit debriefing meeting, it was decided due to philosophical differences, it would be best to look for new auditors.

5.6 What was the total number of audit hours for the prior year or number of auditors and length of engagements?

Answer: The average number of prior year total audit hours is approximately 485 hours. 5 auditors – Partner, Manager, Senior Accountant, Semi-Accountant and Staff Accountant.

5.7 How many days was your prior auditor there?

Answer: Ranged from 7-14 business days.

5.8 Where there any major changes in the engagement requested in the RFP compared to last year's engagement?

Answer: No.

5.9 Was there a Management Letter last year? If so, how many items were included and what was the nature of the items?

Answer: Yes. There were not any significant deficiencies or material weakness documented.

5.10 Were there any significant findings reported by the prior year auditor?

Answer: No.

5.11 Any significant changes in your Organization/Staffing?

Answer: No.

5.12 How many audit adjustments were made last year?

Answer: 0 (zero).

5.13 How many employees? How many in Finance?

Answer: Approximately 242 total District staff members and 22 Finance staff members.

5.14 Are there any plans for new indebtedness or refunding?

Answer: At this time the District does not have any plans for new indebtedness or refunding.

5.15 Any significant events in current year?

Answer: No.

5.16 What type of account analysis and year-end schedules do you normally prepare? All Balance Sheet Accounts? Fixed assets schedules? Etc.

Answer: The District prepares year-end schedules as prescribed by the year-end checklist provided by the auditors engaged to perform the District's audit. Schedules in the past included reconciliation of Balance Sheet accounts (CAFR/Trial Balance Beginning Balances v. Trial Balance year-end balances by fund); Due to/Due From Reconciliation; GASB 31 (FMV) reconciliation; Operating Transfers In/Out reconciliation; Fixed asset schedules; draft financial statements (government-wide, fund financial statements and reconciliation of statements); Notes to the Financial statements; etc. A copy of the District's CAFR is available on the District's website.

5.17 Are there any major projects in progress? Any planned?

Answer: Currently the Finance section is working to implement on-line timecards, paperless purchase requests and interfaces to eliminate dual data entry into the audited PeopleSoft accounting system (summary level data entry) and the District's cost accounting system (detail level data entry).

Major District-wide projects include on-going construction projects (flood control facilities) throughout the western portion of unincorporated Riverside County areas and improvements made to the District office site grounds (drought-tolerant landscaping and conversion of the District yard to Low Impact Development yard).

5.18 Is a single audit for Federal awards required for 2010?

Answer: The County includes the District's Single Audit in their Single Audit so this RFP does not include that service.

5.19 What accounting system do you use?

Answer: PeopleSoft Financials.

5.20 What are the District's major concerns?

Answer: Auditor's process to familiarize themselves with the District as an organization and its processes.

5.21 What are your board's major concerns?

Answer: Fiscal accountability, compliance with GASB, GAAP, and County policy and ordinances as applicable.

5.22 When are the District books closed?

Answer: August 31, 2010

5.23 When will the District be ready for the awarded firm to begin their audit?

Answer: The District will be ready for interim work upon completion of the contract, and the beginning of the field work at beginning of September for each FY.

5.24 Does the District have a specific due date for the audit issuance?

Answer: Draft of the financial statements for distribution to the Riverside County Auditor Controller's Office by the 1st week of October. Final reports by the 1st week of November.

5.25 How many meetings does the District require the auditor to attend?

Answer: One to three, or as requested.

5.26 Where and when are these meetings held?

Answer: Meetings are held at the District and during normal business hours; Monday through Thursday anytime between 8:00 a.m. and 4:00 p.m.

5.27 Are there any other special reports, filings, or tax returns that the District requires?

Answer: No.

5.28 Was the District or its employees under any governmental investigation or regulatory examination in the past 3 years?

Answer: No.

5.29 Referring to Section 3.2.7 of the RFP it states that the Consultant is responsible for the preparation and editing of the CAFR. Is the Auditor responsible for the printing as well?

Answer: No, the printing is the District's responsibility. The District would like the CAFR in print form but it's our responsibility to provide the layout and format. The Consultant will need a print portion and electronic portion.

5.30 The reporting requirements include a report on internal control structure, a report on compliance, and a report on the status of findings from previous audits. Can the bidders receive a copy of such reports prepared as part of the 2008 and 2009 audits?

Answer: The District will post a copy of the requested reports for all bidders on the County and District websites.

5.31 A few years ago, the auditing profession changed the way it approached an audit. Rather than just plunge into performing audit tests, it is now required that we perform a risk assessment first, including the evaluation of internal control, and then focus the audit tests on the high risk areas. The Riverside Flood Control bidding process does not lend itself to a risk assessment exercise before setting the scope of work. We must guess where the risk areas will be in determining our fixed price bid. Understanding the high risk areas in advance would result in a better quality audit. Unfortunately, risk assessment is determined by the auditor, not the finance director. We have two choices. Either the prior auditor may be willing to share its risk assessment work papers with the bidders, or the finance director may be willing to provide to the bidders his own risk assessment, based on his understanding of inherent risk and internal controls related to each balance sheet category. This information would help the bidders prepare a more realistic estimate of fees.

Answer: The District considers the risk assessment a part of the audit process, not a separate function. Prior year auditors performing the District's audit since the inception of this requirement have also treated it as part of their defined audit processes. Bidders submitting a proposal for the Auditing RFP should include the cost of performing the risk assessment as part of their audit process fees when preparing an estimate of fees. The District's high risk areas should be determined and evaluated by the auditing firm conducting the audit as they progress through their defined and established auditing practices and processes. Risk assessment work papers from prior year auditors are the property of that auditing firm and are not available to bidders in this RFP process.

5.32 As far as the date and timing of the draft and final, what time frame is the auditor looking at?

Answer: Normally the County has a timeline as to when they receive their audit and we try to do it a week before their deadline. As of yet, we have not received the County's deadline. In the past, the County has wanted a good draft in early October.

5.33 Why is the audit performed by a different firm than on the one used by the County's financial statements? Is it a separate independent process?

Answer: The District is a separate independent entity. We are a special district formed in 1945 by an Act of the State Legislature. The County of Riverside, Board of Supervisors, ex officio, has been the District's governing body since 1945. The District is required to perform a bi-annual audit pursuant to the District Act. The District conducts annual audits and submits its CAFR to the GFOA in accordance with the requirements of the Certification Award program.

5.34 In the RFP, it requests that this year's audit is for 5 years. Does the District go out for public bid every year?

Answer: The auditing engagement/contract is renewable annually. Prior to the next year annual audit an addendum will be executed to extend the agreement for another year up to and including five years. Should the District or auditing firm decline to renew the agreement then the District will go out for public bid.

5.35 The draft that goes out to the County, is that a basic portion or will you include the MD&A?

Answer: The Basic Financial Statement section of the CAFR including Government-wide statements.

5.36 From the website, I was able to view the budget for FY 2010 for Auditing and Accounting, listing it at \$55,000? But last year the audit was completed within \$25,000-\$35,000. Are there any other services provided in that?

Answer: The District's budget is our best estimate, it's a different year and there are no other items other than the auditor included in the Auditing and Accounting budget line. The District wanted to ensure that we were covered.

5.37 Is there a way to get a copy of the most recent bidders detail work plan?

Answer: Yes, contact the Buyer by email to submit a formal request in writing.

5.38 Are we looking to implement any GASD or any pronouncements that haven't been implements in prior years?

Answer: The County will be implementing GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets and GASB Statement No. 53 Reporting on Derivatives. Therefore, in conjunction with the County, the District will be implementing the same statements for the fiscal year ending June 30, 2010 however GASB Statement 51 will be the only one that is applicable to the District. GASB Statement 54, Fund Balances will be implemented for the fiscal year ending June 30, 2011.

5.39 Most organizations undertake an analysis to look for fraud. Does Food Control undertake that procedure? What are the significant areas of risk as you see them, that you would like an outside firm to pay particular attention to?

Answer: We have not done a formal assessment, which you are referring to; however we are part of the County's fraud, waste and abuse program. In terms of documented procedures, we are fairly comfortable in terms of how cash is handled within the County. The only concern of fraud is inventory (fence and chemicals) and if they are documented correctly.

5.40 If the County is dispersing checks, does auditor have a responsibility to review the internal controls and not just limit their work to Flood Control?

Answer: As a special district, we believe your responsibility is limited to Flood Control and how we process what we do and send it over. The County has their own auditor who evaluates whether internal control is efficient so we leave that up to them.

5.41 Do you think that in the past there has been communication between the two audit firms – the one from the County and the one from the District – to compare notes?

Answer: In prior years, we do not know if both firms have compared notes. The District will advise that our past District auditors have had access to the audit reports of the County's and any information that they may need. The District will make sure our auditor has access to any/all information necessary to complete the work noted in the Scope of Work.

[END]