

April 16, 2014

TO: ALL OFFERS

FROM: Kathleen A. Davies
Chief Administrative Auditor

SUBJECT: ADDENDUM TO INVITATION TO BID – RFP14-CPA-02, Office of the State
Treasurer Quarterly Bank Reconciliation Agreed-Upon Procedures Engagement

ADDENDUM #1

Please note: The attached sheets hereby become a part of the above mentioned RFP.

AOA will address questions that can be reasonably answered and do not require significant investment of time that can be planned for as part of the engagement and included in the proposal. An example would be reviewing any changes in funding from one period to another which would be done during planning. Including sufficient information in the proposal and sufficient hours improves a proposer's score. AOA does evaluate proposals to determine if sufficient hours are included based on the size and scope of the engagement. Please remember that lowest bid is not a deciding factor in the RFP award process, it is 10% of the score.

AOA's scoring process values all-inclusive, thoughtful, quality proposals. Any firm identifying contingencies will have their cost proposal adjusted in relation to others that do not include the contingency so that they are comparable from a cost perspective. Firm proposals that include sufficient details and ample hours for contingencies are much more likely to receive a higher technical as well as overall score.

The Office of Auditor of Accounts (AOA) received the following questions for clarification in response to its RFP posted on April 8, 2014.

1. How many bank accounts does the Office of the State Treasurer reconcile each quarter?
[The Office of the State Treasurer reconciles an estimate of 35-40 bank accounts.](#)
2. Are there several bank accounts which make up the overall bank balance for each financial institution the Treasurer's office manages?
[Yes, some financial institutions have more than one bank account included in the overall bank balance while some only have one account. It varies by the purpose of the banking relationship.](#)
3. Is an entrance conference required only once at the beginning of the engagement for the first quarter of each year (to meet annual requirement), or for each quarterly AUP?
[Only once at the beginning of the engagement for the first quarter of each year.](#)

4. For AUP #2, should the reconciliation follow the format of page 36 (in Appendix F) of the RFP or the updated reconciliation format as included in the March 31, 2013 and June 30, 2013 issued AUP report?

The reconciliation should follow the updated reconciliation format included in the March 31, 2013 and June 20, 2013 AUP report. Please see below.

Incorrect format included in the RFP:

Available Cash Balance 06/30/20XX			
Combined Cash Balance as of 06/30/XX ¹²			\$ 2,233,897
<i>DGL046 070/5/XX FYXX 06/30/XX total on page 88</i>			
Less Encumbrances and Remaining Spending Authority:			
	Encumbrances	Remaining Spending Authority	Total to Spend
GF - 03 (prior year continuing fund)	35,237	226,617	261,854
GF - 04 (prior year encumbrance balance)	39,259	-	39,259
General Funds Total			301,113
NSF (Non-appropriated Special Funds)	89,775	884,664	974,439
ASF HOLD (Appropriated Special Funds)	57,679	326,050	383,729
Special Funds Total			1,358,168
<i>DGL060 07/09/12 as of 07/01/12 page 847</i>			
Remaining Balance carry forward to next FY			1,659,281
Available Cash Balance as of 06/30/12			\$ 574,616

¹² All amounts presented are for demonstrative purposes only.

The following is the corrected format to be used during engagement (example taken from previously issued report):

FSF Balance Sheet Account to Daily Validity Report Reconciliation – Cash and Investments
March 31, 2013

Combined Cash Balance as of March 31, 2013 per DGL046 \$ 2,058,254,598

Less Encumbrances and Remaining Spending Authority per DGL060:

	Encumbered	Remaining spending authority	Total
NSF-20			
(Nonappropriated Special Funds)	\$ 110,151,592	1,168,384,190	1,278,535,782
		Remaining balance left to satisfy other fund types	779,718,816
ASF HOLD-30			
(Appropriated Special Funds)	78,000,731	347,960,367	425,961,098
		Remaining balance left to satisfy other fund types	353,757,718
GF-03			
(General Fund – prior year continuing)	16,443,119	114,036,078	130,479,197
GF-04			
(General Fund – prior year encumbrance balance)	3,477,730	4,271,501	7,749,231
		Remaining balance left to satisfy other fund types	215,529,290
GF-01			
(General Fund – regular appropriations)	157,765,520	828,381,415	986,146,935
GF-02			
(General Fund – supplemental appropriations)	1,177,470	16,829,492	18,006,962
Cash and Investments at Office of the State Treasurer as of March 31, 2013 in excess (deficit) of all fund balances			\$ (788,624,607)

5. For AUP #6, the procedure states we are to "obtain explanations and examine supporting documentation for significant reconciling items". Can you define the threshold you would like used to identify a "significant reconciling item" for purposes of this procedure? Also, can you clarify if you would like 100% of activity for all significant reconciling items tested or is sampling allowed for this procedure going forward (those items are currently sampled)?

For purposes of this RFP, and unless otherwise agreed-upon in writing with AOA during the engagement, significant items are items that exceed \$1,000.00.

6. For AUP #11 (and 12), the procedure states we are to "select significant transfers for each quarter and..." Can you define the threshold you would like used to identify a "significant transfer" for purposes of this procedure? Also for AUP #11 - Do you want all significant transfers for the quarter tested or a sample? The procedure reads to indicate 100% of significant transfers, but the most recent AUP report (for March 31, 2013 and June 30, 2013) tests 5 significant transfers for each quarter.
[See question 5 above.](#)
7. Is this AUP engagement the "work around" that was developed by AOA to supplement the charter school cash qualification issue from last year?
[This has no relevance to the RFP or scope of work requested.](#)
8. If our insurance coverage is not \$1M/\$3M for Commercial General Liability and Professional Liability (but we do have an umbrella policy that brings us to these levels) will this qualify as having the required minimum insurance coverage?
[Yes. The firm must maintain both General Liability and Professional Liability insurance policies. One cannot be substituted for the other; however, Umbrella and Excess Liability policies offer additional coverage to both General and Professional Liability policies.](#)
9. You mention that the proposals must be submitted via two separate emails – do you also want to receive hard copies of the proposals in separate labeled envelopes?
[No, we do not want to receive any hardcopies.](#)
10. How much space is available for the work to be done on-site in Dover?
[The firm will work with the auditee to arrange such matters once under contract.](#)
11. How long was KPMG in the office performing the engagement each quarter?
[This will vary depending on the audit circumstances and the firm's use of technology. AOA suggests planning for a substantial portion of the work hours to be performed on-site.](#)
12. Were there any difficulties encountered during the first 2 engagements done by KPMG? (the quarters ended 9/30/12, 12/31/12 and 6/30/12)?
[No findings or exceptions were reported during these engagements.](#)
13. Were there any disagreements with KPMG during the prior engagements?
[This has no relevance to the current RFP. No engagement issues or concerns are pending.](#)
14. Was KPMG asked to propose on the work?
[The RFP is open for all those interested.](#)
15. Since we use PPC as our audit process are PPC programs and checklists acceptable for our specific engagement approach for the type of engagement?
[PPC can be used, however it needs to be tailored specific to the needs of this engagement.](#)

16. What were the prior year hours for the engagement by level along with the hourly rates and the total fee?

The prior year engagement took approximately 150 hours in total. The total fee for all quarterly reports issued for the Fiscal Year 2013 engagement was \$25,562.

17. Can examples of findings also be from a nonprofit that required a Yellow Book engagement?

Yes, so long as the findings are written under Yellow Book Standards.

18. For the Insurance does AOA need to be included on the insurance binder for the proposal?

No.

19. Are there any changes to the agreed-upon procedures in Appendix F from prior year requirements?

The agreed-upon procedures have not been changed since the last report for June 30, 2013, available on our website. Please see correction to RFP at question 4.

20. Approximately what percentage of the work was completed at the Office of Disbursements and Reconciliations? Did the predecessor accounting firm spend a significant amount of the time on-site?

See question 11 above.

21. Can you give an estimate on hours incurred for a quarterly period? Do any of the quarters require more time than others?

See question 16 above.