

May 8, 2014

TO: ALL OFFERERS

FROM: Kathleen A. Davies
Chief Administrative Auditor

SUBJECT: ADDENDUM TO INVITATION TO BID – RFP14-CPA-06, Delaware Department of Transportation (DelDOT), Delaware Transportation Authority, Delaware Transit Corporation, Transportation Trust Fund Financial Statement Audit

ADDENDUM #1

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

To clarify the proposal submission process, firms must submit their proposals in **three, separate files**: Mandatory Criteria section, Proprietary section, and Cost section.

The Office of Auditor of Accounts (AOA) received the following questions for clarification in response to its RFP posted on April 29, 2014.

1. Do any of the entities anticipate any changes in major software applications that are currently used by the entities for accounting or financial reporting purposes? Please explain.
We are not aware of any changes in major software applications. If such a change exists, the firm awarded the contract will be permitted to adjust audit approach and related proposed hours accordingly.
2. Will the previous version of understanding of the internal control environment referenced on page 5 section 4.3(b) of the RFP be made available to the successful bidder?
The firm should plan to fully address all aspects of the standards including gaining and document an understanding of the internal control environment.
3. Section 8(c) references joint ventures. Is a proposal of 2 CPA firms working jointly, breaking out separate responsibility for the individual audits/reports (I.e. one firm only is responsible for DELDOT, TTF, or DTC), an acceptable joint venture arrangement for this RFP?
The firms must explain the details of the joint venture in their proposal in order for AOA to make an informed decision.
4. Does AOA have a template that they would like the firm to complete for the Control Environment deliverable in 4.3(b) of the RFP?
No, the understanding of the control environment should be documented using the awarded firm's professional judgment.
5. As stated in Section 4.3 b. of the RFP, "the firm will gain and document understanding...and present the overall assessment to AOA in one comprehensive document." Does AOA already have an example of this comprehensive document or should the Firm plan on working with the AOA to determine the proper preparation of this document?

AOA is not planning to offer a template for this part of the RFP.

6. In connection with Section 6.2 c., it indicates that the complete draft of the financial statements will be available for audit by mid-August. Do you know if historically the entities have met that deadline or is this a new deadline that will be instituted as part of the RFP?
As far as we are aware, the deadlines have historically been met. The compilation was completed by a CPA firm in prior years. However, the Division of Accounting will perform the compilation for the period ending June 30, 2014.
7. As discussed in Section 8.3 c 2nd paragraph, we are contemplating entering a joint venture with another local firm. While we will layout the benefit of the joint venture as well as its structure, does the AOA have any specific concerns about the formulation of such an arrangement?
Yes. See the response to Question 4. However, AOA is aware of the potential challenges with joint venture engagements and will evaluate these on a case by case basis.
8. Who prepares the financial statements and footnotes?
Refer to Question 1 under Appendix E of the RFP.
9. How many audit adjustments were made in the prior year?
Refer to Question 6 under Appendix E of the RFP.
10. When is a complete set of draft financials available?
Mid-August, as provided in Section 6.2(c) of the RFP.
11. Who takes the lead in the implementation of new GASB's?
It is DelDOT's management's responsibility to implement new GASB's.
12. What was the staffing of the prior year audit by level and hours along with audit fees?
Details of prior hours would be misleading since the approach is changing significantly.
13. What assistance is provided to the audit firm from state personnel during the audit? Please detail the type of work and hours.
Refer to Question 13 under Appendix E of the RFP.
14. Was there any new debt issued?
To be determined by the firm as a part of planning. There should be plans to address new bond issuances each year of the engagement.
15. For the DTC who is the actuary for the pension plan?
To be determined by the firm as a part of planning.
16. For the DTC who is the actuary for the workers compensation and auto liability?
To be determined by the firm as a part of planning.

17. For the DTC who is the actuary for the OPEB liability?
To be determined by the firm as a part of planning.
18. For the Department of Transportation who values the infrastructure under the modified approach?
To be determined by the firm as a part of planning.
19. How many weeks did the auditors spend in the field in prior years? What was the mix of the audit team?
Details of prior scheduling would be misleading since the approach is changing significantly.
20. Can data, reports, and other information requests for the audit be provided in electronic format?
This question needs to be addressed with the auditee during the engagement.
21. Is the current contract being subcontracted and if so what firm is providing those services?
According to Section 8.3(h) of the RFP, this engagement is not to be subcontracted. The Fiscal Year 2013 financial statement audit was not subcontracted.
22. Were there any disagreements with the legacy auditors?
AOA is not aware of any disagreements with the legacy auditors.
23. Will the Pension Plan adopt GASB 67 as of 6/30/14 ?
To be determined by the firm as a part of planning.
24. Will information be available for DOT to adopt GASB 68 as of 6/30/15 ?
To be determined by the firm as a part of the engagement.
25. What type of client support and audit package is prepared?
A compilation will be provided which includes the financial statements, note disclosures, and management discussion and analysis.
26. Were there any significant deficiencies or material weaknesses in internal controls?
The Fiscal Year 2013 audit reports are available at auditor.delaware.gov.
27. Are there any significant compliance matters?
The Fiscal Year 2013 audit reports are available at auditor.delaware.gov.
28. What are your concerns with the existing audit process?
To be determined by the firm as a part of the engagement.
29. What are the key factors that will go into selecting a firm?
Refer to Section 10.2(b) of the RFP.
30. How many other firms have been requested to submit a proposal? Who?

The RFP is an open-bid process. Please refer to the State's web-site for information on this process.

31. Have there been any misappropriations or fraudulent transactions?
AOA is not aware of any misappropriations or fraudulent transactions, but this would be determined by the firm as a part of the engagement.
32. Have there been any significant changes in management/leaders of the Organizations?
To be determined by the firm as a part of the engagement. AOA is not aware of any significant changes.
33. Has an assessment been performed of the key audit cycles and identification of the key controls within those cycles?
To be determined by the firm as a part of the engagement.
34. Can you provide some information with respect to the information technology environment?
To be determined by the firm as a part of the engagement planning.
35. Is there a centralized or decentralized environment for core IT processing?
To be determined by the firm as a part of the engagement planning.
36. Is there a Chief Information Officer, or are there decentralized leaders throughout the Organization?
To be determined by the firm as a part of the engagement planning.
37. Are any significant IT operations or processing outsourced to a third party?
To be determined by the firm as a part of the engagement planning.