

December 16, 2015

TO: All Offerers

FROM: Kathleen Davies
Chief Administrative Auditor,
Delaware Office of Auditor of Accounts

SUBJECT: Addendum to Request for Proposals (RFP) – RFP AOA-16-CPA-01-DPERS

Addendum #1 – Proposers Questions & Office of Auditor of Account's Answers

Please note: The attached sheets hereby become a part of the above mentioned RFP. All other terms and conditions remain the same.

The Office of Auditor of Accounts (AOA) received the following questions for clarification in response to its RFP posted on November 30, 2015.

1. Is the incumbent firm being invited to bid?
Please refer to the RFP requirements, they stand as written. If there were any restrictions that information would have been included in the RFP.
2. Is there a preference for a Big 4 firm to be the auditors?
Please refer to the RFP requirements, they stand as written. If there were any restrictions that information would have been included in the RFP.
3. Will the auditors be required to audit schedules, notes, supplementary information for the annual GASB 68 valuation?
As stated in 4.2 of the RFP, the audit must be performed in accordance with AICPA and Yellow Book standards, with no exceptions.
4. The total audit fee in the Appendix F FAQ section of the RFP pg. 39 of 46 indicates the total audit fees were \$283,027.50; did this fee include any other deliverables other than DPERS F/S audit? If so, can you please provide the cost of each deliverable?
The financial statement deliverables are inclusive of all applicable professional standards. There has been no change to this requirement.
5. In Section 9.2(c), it states if you're going to use a joint venture or consortium, both firm qualifications need to be included but in section 9.2(g) it says that the proposing firm must include a statement that none of the work will be subcontracted. These seem to be conflicting statements, can you clarify?
A joint venture or consortium occurs when two or more firms take joint responsibility for the work performed and jointly sign the opinion. This is different from a firm hiring subcontractor(s) to work under the firm, with the firm being the only one that signs the opinion.

6. Question #11 of Appendix F states that “AOA expects to have SSAE 16 report performed on the First State Financials and Payroll Human Resource Statewide Technology completed for FY 2016 and FY 2017”. Please provide us with a copy of the FY 2015 report for review or a description of the controls that were tested and whether there were any modifications to the report.
This report is confidential and will only be provided to the firm awarded the contract. The availability of this report will not, however, eliminate or significantly reduce the need to gain an understanding of DPERS’ control environment and perform control testing, including the need for information technology general and application control procedures.

Further, DPERS uses Microsoft Great Plains (GP) Dynamics for financial reporting. This application is an out-of-the box general ledger which has a chart-of-accounts customized to fit the financial statements of DPERS. On a monthly basis, DPERS’ financial transactions are downloaded and converted to journal entries, which are entered into GP.
7. Are there any changes to procedures expected to be performed for FY2016 and FY2017?
AOA will work with the firm to create an extensive permanent file document that describes in detail the various systems and operations and the internal controls sufficient to plan the engagement. AOA will not approve an audit approach without sufficient internal control environment information and there must be sufficient consideration and testing of the overall control environment.
8. Does the scope of this RFP include attestation engagements for the schedules of employer allocations and pension amounts by employers (for the multi-employer cost sharing plans)? Based on AOA’s listing of reports issued, these reports were completed for the State Employees’ Plan, County & Municipal Police and Firefighters’ Plan, and the County & Municipal Other Employees’ Plan in the past. Please also state whether the Delaware Volunteer Firemen’s Fund will require an attestation engagement.
The schedules of employer allocations and pension amounts are not attestation engagements. The RFP is all-inclusive of the required deliverables. The firm will assess which plans need schedules of employer allocations and pension amounts during planning.
9. For the testing of employer census data will the employer auditors be able to provide us with attestation engagements based on our selections?
The schedules of employer allocations and pension amounts are not attestation engagements. Census data will be addressed by the firm during the engagement.
10. Please clarify – on page 14 of the RFP Section 10e, it calls for example draft reporting packages. On page 5 of the RFP in red font it explicitly states that reporting packages include auditors report, FS and noted, MDA, etc. The RFP explicitly states the FS, notes and MDA are not to be prepared by the audit firm. Please clarify what example reporting package entails (i.e. draft audit reports, etc.).
The firm must submit examples of previous reporting packages, inclusive of all items defined in the RFP.
11. Were controls tested in past? If so, in what functional areas.
This will be addressed as part of the audit planning.

12. Was interim testing conducted in the past? If so, in what functional areas.
This will be addressed as part of the audit planning.
13. What was the timing of interim and year end fieldwork?
See 12. above and section 6 of the RFP.
14. When are the actuary reports typically available?
This will be addressed by the successful firm during planning.
15. As of June 30, 2014 derivative instruments held by the plan were determined to be immaterial. Has this determination changed?
This will be addressed by the successful firm during planning.
16. What is the organization's decision date?
AOA's decision is made as promptly as possible.

Section 4.3 of the RFP is revised to include the following:

The firm must not rely exclusively on controls in the State Budget and Accounting Manual (BAM) and the Statements on Standards for Attestation Engagements (SSAE) 16 report performed on the State's accounting and payroll systems. The firm must evaluate agency-specific internal controls and determine the appropriate testing in a control environment inclusive of the BAM, SSAE 16 report, and agency-specific controls. An agency's failure to appropriately evaluate risk and establish appropriate control activities, communicate those controls in written policies and procedures, and maintain internal controls will automatically result in a significant control weakness.

Section 14.3 of the RFP is revised as follows:

The invoice for each engagement must include the following: (1) the name of engagement entity/engagement; (2) a sequential invoice number; (3) the PO number; (4) the retainage percentage applied to each invoice total, not the total contract cost; (5) the total invoice amount and whether the invoice is a progress or final invoice; (6) an attestation from the engagement partner(s) that the hours reported are actual hours worked as indicated by staff level and category; (7) a breakdown of each staff member, with both budgeted and actual hours for each person for each portion of the engagement, as represented in the Contractor's proposal, including the corresponding hourly rate; and (8) the amounts, descriptions, and dates of all out-of-pocket expenses for which reimbursement is requested. Ten percent of the invoice amount will be retained until the Exit Conference has been held and the final reports have been reviewed, approved, and issued by AOA (also reference as AOA finalizing the audit.)

If you have any questions, please contact me at 302-857-3919 or Kathleen.Davies@state.de.us.