

June 2, 2017

TO: All Offerors

FROM: Kimberly Y. Judy  
Audit Manager  
Delaware Office of Auditor of Accounts

SUBJECT: Addendum to Request for Proposals (RFP) – AOA17001-CPA\_WATER

**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 May 19, 2017.

1. The RFP is due on June 9, 2017, for the purpose of putting together an audit timeline, when will the winning firm be notified?  
AOA anticipates notifying the winning firm approximately two weeks from the date the proposals are due.
2. Will all firms be notified of the winning firm and given a copy of the evaluation criteria?  
Yes. All scored proposers will be notified of the winning firm via email. The evaluation criteria can be found on page 16 of the RFP.
3. When is the SSAE 16 report on the First State Financials (FSF) and Payroll Human Resource Statewide Technology expected to be released?  
AOA expects the report to be issued by mid-June.
4. The RFP states the proposer shall conduct the annual financial statement audit for both DWSRF and CWSRF, but the prior year audits were completed by two different audit firms. Should the proposal contain a separate fee for each audited financial statement (DWSRF and CWSRF) or one audit fee for both audited financial statements?  
Since separate reports will be issued, the fees for each audit should be segregated.
5. How many new loans were issued in Fiscal Year 2017 to date?  
DWSRF: 2 Loans totaling \$5,500,000  
CWSRF: 5 Loans totaling \$11,783,828  
Septic System Rehabilitation Loan Program: 13 Loans totaling \$246,384
6. Were there any significant deficiencies or material weaknesses noted in the management for June 30, 2016?  
Any significant deficiencies or material weaknesses identified for either fund were carried forward to the report.
7. Is there any assistance provided by internal auditors? If so how many hours?  
No. DNREC does not have any internal auditors for this area.

8. Has there been any changes in key personnel at the State that would affect these financial statement audits?

Yes. DNREC had a Fiscal Management Analyst that was hired in October 2016 but resigned at the end of April 2017. An accounting firm has been hired to update and complete accounting data entries for the DWSRF and CWSRF programs. The same firm will prepare the financial statements for both programs. DNREC anticipates hiring a new Fiscal Management Analyst before the end of July, but states that the financial statements for both programs may be delayed until mid- to late-August.

AOA may reevaluate the timing of the deliverables with the selected firm if the need arises.

9. How many journal entries were proposed by the independent CPA firm for June 30, 2016?

For DWSRF, the firm proposed ten entries across all three funds. The one larger entry identified in the finding to the report encompassed three different entries since it cut across funds and the firm separated its components. The other seven entries were immaterial, but some were booked to true up the balances at year end.

There were no proposed journal entries for the CWSRF.

10. Both the SWSRF and the CWSRF are comprised of several sub-funds. Why does DNREC present the DWSRF's sub-funds as Supplemental Information (and the auditor gives an "in relation to" opinion) while it presents the CWSRF sub-funds as part of the basic financial statements (included in the auditor's opinion)? Assuming that DNREC and AOA will want to be consistent for Fiscal Year 2017, which is the desired level of the auditor's assurance for 2017?

DNREC will continue presenting each set of financial statements consistent with prior years. DWSRF has set asides, which are better presented as supplemental schedules, but CWSRF only has the three sub-funds, which can be presented on the face of the financial statements.

11. What are the Fiscal Year 2017 year-to-date amounts of federal funding for both the DWSRF and CWSRF?

DWSRF: \$162,058,500

CWSRF: \$232,725,902

12. The RFP states that the deadline for the Fiscal Year 2017 Final Reporting Packages is October 11, 2017 (Page 9, Section 6.5: Reporting Package). The two Fiscal Year 2016 auditors' reports were dated January 3, 2017 and January 19, 2017. What were the reasons for the (presumed) delays in Fiscal Year 2016? Have those issues been addressed for Fiscal Year 2017?

During the Fiscal Year 2016 audit, DNREC experienced delays due to a key Senior Accountant's unexpected illness and subsequent retirement. See also question #8.

13. Will the auditor be permitted to download account detail from the FSF and QuickBooks files?

The auditor will not have direct access to these systems; however, DNREC personnel should be able to provide the firm with applicable reports per their request.

14. How many QuickBooks files are used to account for the Funds' activities?

DWSRF: 9 files

CWSRF: 3 files

15. Is a servicing company used to manage loan balances and collections?

No.

If you have any questions, please contact me at 302-857-3931 or [kimberly.judy@state.de.us](mailto:kimberly.judy@state.de.us).