

November 30, 2018

TO: All Offerors

FROM: Tammy B. Smith  
Senior Audit Manager  
Delaware Office of Auditor of Accounts

SUBJECT: Addendum to Request for Proposals (RFP) – AOA1903-CAFR

**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 9, 2018.

1. Section 1.1 of the Request for Proposal (RFP) states “for each of the fiscal years ended June 30, 2019, 2020, and 2021” and Section 3.1 states “the contract period is for three one-year engagements, with the option to renew the contract at AOA’s request for two additional years, ...”.

Is the intent of the sections above for the successful bidder to be awarded an initial contract for a three year period (2019/2020/2021), with one two year renewal option thereafter or are the first three years separate (i.e. the original contract is year one only with year 2, 3, and the additional 2 year period as separate renewals)?

The initial contract will be for a three year period, with one two year renewal option.

2. States that any firm identifying contingencies will have its proposed cost adjusted in relation to others that do not include the contingency. As such, should firms include the estimated cost related to the contingency?

Yes, in a separate line item(s) to allow for comparability amongst proposals.

3. 2.11 states that the RFP is incorporated into the final contract, but 2.13 states that the terms are open to negotiation. As such, should there be a listing of contract exceptions and/or terms to be included in the contract that we would like to negotiate upon award?

Yes.

4. In the 2017-2018 SOC1 report, the examination period was 7/1/17 - 3/31/18. Will the Audit period for 2018-2019 be a nine (9) month report, or a twelve (12) month report ending 3/31/19?

The audit period will be a nine month report.

5. The RFP states that proposers should use the State’s major programs from the State’s FY2017 Single Audit report to prepare their bids. As the number of major programs audited for the Single Audit may increase over the course of this contract based on certain risk analyses performed in accordance with the Uniform Guidance (e.g., low risk auditee status, high risk programs, percentage of coverage, etc.), will such costs be renegotiated each year?

Yes.

6. The RFP states that there are three (3) systems in scope for Department of Health and Human Services (DHSS) and one (1) system for Delaware Technical and Community College (DTCC) that are significant to the Single Audit in Fiscal Year 2017. For the 13 major programs tested in the State's 2017 Single Audit, and for any other in scope systems related to the contract, can you provide a listing of the IT systems, utilized?
- Name of systems (in addition to the Payroll Human Resources Statewide Technology (PHRST) and First State Financials (FSF))
  - Description/purpose of systems
  - Planned upgrades for any of these systems (if any)

DOL

System Name: Unemployment Insurance

Purpose: Process unemployment insurance claims

No planned upgrades noted.

DTCC

System Name: Banner

Purpose: Student Information System – Application and processing of student financial aid

No planned upgrades noted.

DHSS

System Name: ASSIST

Purpose: Eligibility processing and determination

No planned upgrades noted.

System Name: D/MES

Purpose: Medicare claims processing

No planned upgrades noted.

7. Have there been any known control deficiencies in the SOC 1 controls since 3/31/18 and the IT General Controls for the State of Delaware Single Audit, and the Lottery Financial Statement Audit since 6/30/18 for the in-scope applications/supporting infrastructure? If so, please describe.  
No, none that we are aware.
8. The Transportation Trust Fund (TTF) was audited as part of the Delaware Department of Transportation for the years ended June 30, 2018 and 2017, however there was not a stand-alone financial statement audit issued for TTF for either 2018 or 2017. Please clarify if TTF will be required to have a separate stand-alone audit for contract period requested in the RFP?  
TTF is incorporated into the DelDOT financial statements. TTF does not have a separate stand-alone financial statement audit.

9. The RFP states that school districts are not to be tested on a rotating basis. Is the expectation that all school districts must be tested/audited on a stand-alone basis or is the expectation that sampling may be used from a complete population of all school districts and while all school districts will be subject to selection/testing, not all school districts are required to be selected/tested (i.e., only those statistically selected school districts will be tested)?

Sampling may be used from a complete population of all school districts and while all school districts will be subject to selection/testing, not all school districts are required to be selected/tested (i.e., only those statistically selected school districts will be tested).

10. How will the auditing the Delaware Transit Corporation (DTC) OPEB Trust be conducted? Will this be a separate stand-alone audit or will its audit be conducted in conjunction with the DTC financial statement audit that is part of this RFP?

As it currently stands, the audit of the DTC OPEB Trust will be in conjunction with the DTC financial statement audit.

11. Is the preservation of workpapers after the completion of the audit a minimum of 5 years? (i.e., could the workpapers be maintained longer than 5 years should the Firm's internal policies require a longer period?)

Yes, the 5 year retention period is the minimum.

12. When does AOA expect to award the contract?

January 2019

13. What Firm or Identification of management will be preparing the financial statements 1) CAFR, 2) Schedule of Expenditures of Federal Awards (SEFA), 3) Delaware Department of Transportations, including the TTF, DTC, 4) Lottery/Lottery CAFR and what is the timing of receiving complete and accurate financial statements to audit? If management is not preparing, will the outside firm provide the auditor with all financial statement makeup workpapers in one package with the draft financial statements?

The CAFR, SEFA, and Lottery are prepared by management. DelDOT, TTF, and DTC use contractors to prepare the financial statements. Contractors are engaged by the departments to perform these services; however, the department should ensure the Selected Firm receives all necessary workpapers. Section 6.2.b. of the RFP addresses the timing of draft financial statements.

14. What is management's availability and timing of planning/interim work for 1) CAFR, 2) DelDOT, and 3) Lottery?

Planning and interim work is typically done in the spring/early summer.

15. Please provide the prevailing rates used by the State of Delaware for its employees for reimbursement of travel, lodging, and subsistence?

<https://budget.delaware.gov/accounting-manual/documents/chapter11.pdf?ver=0919>

16. Is it required to include in the proposal a copy of a valid Delaware firm professional license and a current State of Delaware business license for each subcontractor included in this proposal?

Yes.

17. Has the state updated their procurement policies as of July 1, 2018 for the changes in Uniform Guidance?

As far as we are aware, there have been no changes to the State's procurement policies.

18. What was the prior year cost in total and by deliverable?

	<u>FY 16 Actual Billed Amount</u>	<u>FY17 Actual Billed Amount</u>
CAFR & SOC	871,221.00	902,114.00
State of Delaware Single Audit	536,250.00	505,860.00
Delaware Department of Transportation	86,830.00	80,120.00
Transportation Trust Fund	94,750.25	87,520.00
Delaware Transit Authority/Delaware Transit Corporation	94,862.00	97,120.00
Delaware State Lottery	85,531.50	91,400.00

19. On page 13 of the RFP can we obtain AOA approval to use a subcontractor for the SSAE18 SOC1 Type Report over First State Financials and Payroll and Human Resources Statewide Technology? Also, can we obtain AOA approval to use an IT specialist as part of our team?

Yes.

20. For the Cost Section do you want separate fees for deliverables listed on page 9 of the RFP item a?

Yes.

21. On page 14 of the RFP item c, can the approach be an overall approach that address all areas listed in item c?

Yes.

22. As the State's Office of Auditor Accounts what are the biggest concerns you have? How might you look at your audit firm to help you address those concerns?

We currently have no major concerns. If any arise, they will be discussed with the Selected Firm.

23. Is the audit being put out to bid on a normal cycle? How long have your current auditors been servicing the State? Can the current firm propose?

Yes, to all. The current contract started with the fiscal year ended June 30, 2015.

24. Have there been any disagreements with the current auditors regarding accounting treatment, journal entries, findings or other matters?

No.

25. What are the current audit fees for the entities noted below? What have they been the past three years?

- i. State's Comprehensive Annual Financial Report (CAFR)
- ii. State of Delaware Single Audit
- iii. Delaware Department of Transportation, Transportation Trust Fund, and
- iv. Delaware Transit Authority/Delaware Transit Corporation
- v. Delaware State Lottery
- vi. Delaware State Lottery CAFR

See question #18 above. Since the current audits are no complete, we cannot give fees for the Fiscal Year 2018 audits.

26. Has the current auditor ever billed over their fixed fee and if so what was the reason?

No, the current auditor has not billed above the contract price.

27. Has the current auditor provided any additional services outside the original audit contract?

No.

28. For each of the entities we understand the time requirements as addressed in section 6 of the RFP; however, what are the desired audit fieldwork schedule for interim and final fieldwork for each of the noted entities above?

Interim fieldwork typically occurs in the spring/early summer. Final fieldwork typically occurs late summer/fall. The Selected Firm will need to manage the schedule to ensure all deadlines are met.

29. For the interim and final fieldwork phase for each of the entities noted above, how many audit managers, seniors, and staff are typically in the field and for how long?

The Selected Firm will need to manage the staffing required to ensure all deadlines are met.

30. We understand the number of major programs in a given year can fluctuate, how many major programs should be contemplated in the budget for the uniform grant guidance audit?

As stated in section 4.1.a. of the RFP, the firm should use the State's major programs from the Fiscal Year 2017 Single Audit to prepare their bids. Also, see question #5 above.

31. Our expectation is that the grants are administered at the various departments of the State; our question is whether each of the departments operate automatically or whether is there a central grant oversight agency?

Grants are administered at the various departments. In addition, the Delaware State Clearinghouse Committee provides for grant coordination (<https://budget.delaware.gov/clearinghouse/index.shtml>).

32. If there is no central grants oversight dept. how are the coordination of the audit efforts administered by the State? Is there a central coordination strategy that comes out of the State's Office of Auditor Accounts or an audit liaison that coordinates all efforts with the departments?

See question #31 above. AOA does not coordinate the State's grants.

33. It appears as if there is an aggressive policy to remediate prior year findings. Is that process overseen by the State's Office of Auditor Accounts or are each individual department held accountable to remediate the findings?

The individual departments are responsible for remediating their findings.

34. Have there been many passed or posted adjustments resulting from the audit process in recent years for the noted entities in question 25 above? Is it possible to obtain the required communication correspondences for each of the entities above?  
There have been passed and posted adjustments. The Selected Firm will receive the required communications.
35. As a clarifying question, we understand section 4.3 of the RFP indicates the audit firm will not prepare the financial statements, note disclosures, or the MD&A; does that translate to each of the entities noted above, including the SEFA?  
Yes.
36. Who takes the lead in the implementation of new GASBs?  
The State Division of Accounting and/or the individual departments.
37. What software platform is used in the noted entities in question 25 above?  
The State's accounting and payroll systems are a PeopleSoft product. See section 4.1.a of the RFP.
38. Do you have plans to make changes to those software platforms?  
Not that AOA is aware of.
39. Have you experienced turnover in key roles within the organization?  
None that AOA is aware of.
40. What are the roles and responsibilities of the State's Office of Auditor Accounts as it relates to the annual audit? Are they involved in any way in supporting the audit of the financial statement?  
No. AOA monitors the work of the firm for contract compliance.
41. Are there other audits performed by the State's Office of Auditor Accounts that we would have the ability to review as a measure of risk assessment for the audit?  
All public audit reports are posted on AOA's website (<https://auditor.delaware.gov>).
42. Has your auditors provided a management letter in the past 3 years for the noted entities above? If so, can that document be made available?  
Management letters, if any were issued, will be made available to the Selected Firm.
43. Are there any matters that require consideration in assessing the scope of this project over the proposed term?  
None that AOA is aware of.
44. What sort of facilities and internet access are provided to the auditors?  
The auditors will visit various department and agencies of the State. Facilities and internet access will be worked out directly between the auditors and management of those entities. Various State buildings have wireless access points.

If you have any questions, please contact me at 302-857-3925 or [tammy.smith@state.de.us](mailto:tammy.smith@state.de.us).