



ADDENDUM #1
REQUEST FOR PROPOSALS
No. 2016-015

Effective: February 12, 2016
Project: Annual Professional Audit Services
Issued By: Procurement Manager
City of Gaithersburg
31 South Summit Avenue
Gaithersburg, Maryland 20877

This Addendum is incorporated into and made part of the above referenced Request for Proposals (hereinafter referred to as "Solicitation"). Below are the Offeror questions and the City's answers thereto in response to the Solicitation. The City is not responsible for the content of questions and has provided the most comprehensive answers based on interpretation of the questions.

I. FREQUENTLY ASKED QUESTIONS

Q 1. What was the prior year's audit fee?

A: The FY15 audit fees were \$46,700.

Q 2. Why have you decided to go out for bid for audit services?

A: The City's regulations include a 5 year mandatory auditor rotation.

Q 3. When will the City select the next auditor?

A: The City estimates reviewing proposals by March 18 to identify firms for on-site interviews. The City would desire to conduct on-site interviews would be scheduled between March 28 and April 8. The selection committee's recommendation would then be submitted to the Mayor and City Council for their review. Items are required to be submitted two weeks ahead of the Mayor and Council meeting date. It is estimated that the recommendation could be considered by Mayor and Council at their May 2 or May 16 meeting. If possible the City would like to move more quickly than this, but some of the timeline is dependent on scheduling of interviews.

Q 4. Are there any major changes to your federal award programs for this fiscal year? Will the funding levels remain the same?

A: No significant changes are anticipated.

Q 5. How many hours did the prior year audit field work require?

A: The City does not have time detail for the previous auditors. The firm had two individuals on-site for preliminary fieldwork for two days and two individuals on-site for final fieldwork for approximately two weeks.

II. QUESTIONS ASKED AT THE PRE-SUBMISSION MEETING

Q 6. In the RFP you mention you will need the contractor to prepare the Comprehensive Annual Financial Report (CAFR) for FY16 only. Why is that?

A: Normally the City would prepare the full CAFR; however this year the Director of Finance and Administration will be out on maternity leave and will not likely have the time to draft the document. The Director will be able to review the report and take responsibility for the document.

Q 7. If the federal expenditures are expected to remain at the same level, please explain why a single audit would be required for future years.

A: The City has a CDBG loan program. The beginning of the year balance of these loans when added to the expenditures will exceed the \$750,000 minimum for single audit awards.

Q 8. The pension trust fund was removed from the City's reporting entity in the FY15 CAFR. Please explain the rationale behind that change.

A: The City reviewed the relationship with the pension trust. All investment decisions for these 401k or 401a plans are in the hands of the employee, similar to a deferred compensation plan. The City consulted with GASB on the proper treatment of these funds came to the conclusion that those funds are not the City's money and should not be shown in the financial reporting entity.

Q 9. What programs do you use for the CAFR preparation (Word, Excel, PDF, Etc.)?

A: The City uses Word and Excel.

Q 10. Do you want us to use your previous templates or can we use our own templates?

A: The City would allow the auditor to use whichever method is preferred. There will need to be some discussion about what the impact of using firm templates would be on footnote language.

Q 11. How long have you had Munis? Has Munis been upgraded?

A: Munis has been implemented since 1999. The City upgraded the software this week to one of the newest versions.

Q 12. Who takes the lead on implementation of new accounting standards?

A: The Director of Finance and Administration keeps current on new GASB pronouncements and the implementation of them within the CAFR and City records.

Q 13. Did the previous Audit Firm prepare a management letter?

A: Yes, it had the same items that were identified in the Communication to the Mayor and City Council.

Q 14. Did the previous Audit Firm have a separate audit for Information Technology?

A: No.

Q 15. Does the City intend to stay debt free?

A: The City is very proud of its pay-as-you-go philosophy. It is unlikely to change in the near future.

Q 16. Does the City send the financial reports to GFOA?

A: Yes.

Q 17. What does CPFO stand for?

A: Certified Public Finance Officer

Q 18. Do you need a list of schedules to prepare for the auditors?

A: Yes the City would still require the auditor to provide a list of requests in order to facilitate staff delegation of work.

Q 19. Who was the audit firm the last time the City had a five year rotation?

A: Clifton Larson Allen

Q 20. Who handles the actuarial valuations for the OPEB and pension accounts?

A: The OPEB valuation was done by Bolton Partners. The City is currently in the process of obtaining new quotes for the next bi-annual valuation. Since the City has defined contribution plans no actuarial valuation is needed for the pension plans.

Q 21. Do you have any Audit Adjustments?

A: In years prior to FY15, the City has around 10 or so, very small amounts. Many of those were annually recurring entries such as the adjustment of deferred inflows and year end taxes receivable. In FY16 those were done internally and the only audit entries found were those included in the Mayor and City Council Communication.

Q 22. Where there any fees outside the stated audit fees?

A: No

Q 23. Do you have a fixed asset module?

A: Yes we use the Fixed Asset module in Munis.

III. QUESTIONS SUBMITTED IN WRITING

Q 24. Is there a minority business enterprise MBE requirement for this solicitation?

A: No

Q 25. Regarding the addendum and amendment acknowledgment form – Does the “Frequently Asked Questions” form handed out at the proposal meeting constitute an addendum?

A: That form will be included along with the questions asked on the City’s website as addendums, yes.

Q 26. Can you provide a list of the firms in attendance at the proposal meeting?

A: Based on handwriting on the sign in sheet the following firms were present: ATNF Services, LLC; Barbacane Thornton & Co; CohnReznick; Lindsey + Associates LLC; SB & Company, LLC; Weyrich Cronin and Sorra; and Zelenkofske Axelrod, LLC.

Q 27. While researching the City of Gaithersburg as a potential client we came across information about your whistleblower hotline. Have there been any instances wherein the independent auditor became involved in any reported instances of potential fraud, and if so, can you provide a brief description and any resulting impact? Are reports relating to information from the hotline available as part of the audit planning process?

A: The Director of Finance and Administration is not aware of any reported instances of potential fraud, from this hotline or other sources. All reports from the hotline are kept confidential by the City’s in-house attorney. The auditor may request that information from them during the audit process.

Q 28. Were there any issues with the current auditors? Are they invited to bid?

A. The City has a mandatory five year audit firm rotation in place. The previous auditors are not eligible to be retained.

Q 29. How many hours did the prior year audit take?

A. The hours detail was not provided by the auditors

Q 30. How many transactions do you make per year?

A. This is not known. The City’s CAFR is included in the solicitation document. The City’s budget is available on-line to give the auditor an understanding of the City’s size. We have too many transactions to individually count them in each major cycle: payroll, cash receipting, accounts payable, journal entries.

Q 31. Has the City undergone any significant changes in governance?

A. The City has an elected Mayor and Council, totaling six citizens. During the last election cycle held in November, one of the City Council members retired. A new member was elected for her seat.

In approximately November 2014, the City’s Mayor moved into County government and one of the other Council members filled the remaining term. That Council member’s seat was filled for an interim period. Both the Council member who became the Mayor and the individual filling in the Council seat were elected to those positions during the November election. Information on the City’s governance can be found on the City’s website at: <http://www.gaithersburgmd.gov/government/mayor-and-city-council>

Q 32. Has there been any turnover since June 30, 2015 in the financial management staff or the overall management staff of the City?

A: The staff accountant left in September, no other accounting staff or management staff turnover.

~ END OF ADDENDUM ~