



**MORIN BUILDING
8570 EXECUTIVE PARK AVENUE
FAIRFAX, VIRGINIA 22116-0815**

June 27, 2017

To: All Prospective Offerors
Issued by: Donald R. Legg, CPPO, Procurement Manager
Subject: Addendum # 1 to RFP #17- 46 Audit Services

The purpose of this addendum is to make revisions to the RFP and to answer questions submitted by the specified deadline for their submission.

1. Attached is the 2016 Audit Management Letter, the 2016 Internal Controls and Compliance Report, the 2016 Report to the Finance and Audit Committee and the 2016 Debt Compliance Report.
2. Attached are questions and answers received on this RFP. Answers are in bold.

I. Questions and Answers

YHB

1. Were there any proposed adjusting entries from the prior auditor in the prior year?
There were no proposed adjusting entries for 2016.
2. Can you provide a copy of those adjustments?
No adjusting entries for 2016
3. Can you provide us with the prior year report on internal controls and the prior year management letter (if one was issued)?
See attached

Baker Tilly Virchow Krause, LLP

4. Why have you issued an RFP for audit services at this time?
We are at the end of the contract.
5. Is the incumbent allowed to bid?
Yes
6. What were the audit fees for the most recent year?
\$120,100 (\$95,400 Fairfax & Welfare Benefit Trust combined and \$24,700 for Retirement)
7. Were any additional services provided by the audit firm?
No
8. Please provide an example of the no default letter discussed in section 2.1.I as well as the agreed-upon procedures report in section 2.1.J
See attachment for no default letter and refer to Virginia APA website for agreed-upon procedures.
9. Is the CPA mobility between Wisconsin and Virginia sufficient to meet the requirements of sections 2.5.A.1.e and 2.5.B.1?
The partner and manager would need to be licensed in Virginia, but this would be fine for the staff working on the engagement.
10. What is the size of the accounting/finance staff?
12 FTEs
General accounting (AP, AR, payroll and benefits) = 7
Financial reporting = 5
11. When are you ready for final audit fieldwork?
Normally around middle to end of February.
For preliminary or interim fieldwork?
Typically January, but we are flexible
Historically how many auditors have been on site for how many days for each?
Varies from year to year, depending on what was happening within the organization that audit year. Usually, around 4 to 5 auditors for one week for prelim and two weeks for final. They perform additional hours of work off-site.
12. If the pension audit is completed at a different time frame, when is that fieldwork and how many auditors have been on site for how many days?
Normally in May or June with one to two auditors.
13. For the pension plan can you describe the involvement of any third party service providers (investing, benefit payments, trustee, actuary, etc.)?

The plan is governed by our internal Benefits Trust Committee. The investment advisor is Raymond James which oversee 11 fund managers. Our actuary, Segal, prepares our annual actuarial report which includes the information required for GASB 67 and 68.

14. In the past two years have there been any journal entries as a result of the audit?

No

If so how many and what was the nature of the entries?

15. Do you anticipate a single audit during the term of this agreement?

No

16. Do you anticipate issuing a CAFR during the term of this agreement?

Most likely towards the end of the contract.

17. What is the method for estimating the unbilled revenues?

It is percentage based on amount of water delivered.

18. What is the nature of the unearned revenues?

Connection charges not in service yet.

19. Do you have a trust for the Health Care OPEB?

We do not have a separate OPEB Trust because the majority of our OPEB costs are part of Retirement Plan Trust. (Section code 401(h) Retiree Medical Benefits)

If so, has it been audited in the past? With the implementation of GASB 74 will it be issuing separate financial statements or be incorporated into the general statements as a fiduciary fund?

Mitchell Titus Questions

20. Please provide the prior-year fees and hours for:

a. Annual audit of Fairfax Water's financial statements

b. Annual audit of Fairfax Water's Schedule of Operation and Maintenance Expenditures and Receipts from the Sale of Untreated Water and the Schedule of Receipts Applicable to Basic Facilities and Improvement Fund Expenditures

c. Annual audit of Retirement plan financial statements

d. Prepare the required forms, perform the agreed-upon procedures specified in the Uniform Financial Reporting Manual

See question #6 for fees

Number of hours are not available by report.

21. How many comfort letters are issued on average during a given year?

See section 2.1.H of the RFP

22. Did any events occur that would make the current-year audit significantly different from the prior-year audit?

No

23. Have there been any significant operational changes since the prior-year audit?

No

24. Were there any audit misstatements identified (corrected or uncorrected) by the auditors during the most recent audit?

No

25. Please describe the level of assistance, if any, required of the audit firm in the preparation of the F/S and footnotes.

The financial statements and note disclosures are prepared by staff with guidance and

assistance from the audit firm, particularly when new GASB standards are being implemented.

Brown Edwards

26. Who is responsible for preparation and printing of the retirement report, separate OCBOA schedule and financial report?
Staff prepares the reports in PDF format and the auditor is responsible for the printing of the reports.
27. Would it be possible to have a copy of the FY16 management letter and a copy of the letter to those charged with governance at the conclusion of the audit?
See attached
28. Are there any planned changes to the software in the near future?
No
29. Are there any large capital expenditures planned in the near future? If so, how will these be financed?
We finance capital expenditures with cash on hand and with the Bond issuances.
30. Does the auditor assist Fairfax Water with the tracking of capital assets? Or other detail schedules? Or assistance with any journal entries?
No to capital assets, other detail schedules and routine journal entries. Staff may ask for assistance/ verification with new GASB implementations.
31. What was the general timing of preliminary and final fieldwork in the past?
See question #11
32. How many auditors were on-site for fieldwork and how long were the auditors generally in the field?
See question #11
33. Were there any significant adjusting journal entries required as a part of the audit for the previous fiscal year? If so, please describe these entries.
See question #1
34. Does Fairfax Water anticipate needing a Single Audit for 2017 or any years through 2021?
See question #15
35. Please provide a copy of the breakdown of the prior year fees including any extra billings.
See question #6 – there were extra billings for assistance with our acquisitions in 2014 (\$18,400) and 2017 Bond issuance (\$6,350)

Cherry Bekaert LLP

36. Is it expected within the scope that auditor will prepare all financial statements?
See question #25
37. Are there any planned changes to your OPEB plans before the implementation of GASB #74 and #75?
No
38. Can you provide the approximate time spent by your current auditor on site and the timing of that fieldwork?
See question #11
39. Can you provide the fees for services provided in 2016?
See question #6

40. Did you issue any refunding debt in 2017?

Yes, in March

41. Have there been any changes in finance management during 2017 that would impact the accumulation and assimilation of trial balances and other audit work papers for an incoming auditor?

No

CliftonLarsonAllen LLP

42. What were the prior year audit fees?

See question #6

43. What is the level of effort/hours that the incumbent has provided for the previous year's audits?

See question #11

44. Is the incumbent allowed to bid?

See question #5

45. Are there any improvements you would like to see in the audit process?

Fairfax Water's requirements are located in Section 2 of the RFP.

46. Why is FW requesting a proposal? (i.e. rotation cycle, fresh perspective desired, governing board request, cost)

See question #4

47. Please comment on the governing body's committee (audit, finance, etc) overseeing the governance of this contract. Please include membership and meeting schedule.

The contract is governed by the Finance and Audit committee comprised of 4 Board members. The Director of Finance and the Accounting Manager manage the contract and its activities. The auditor normally attends one of the two Board meeting in April to present the reports depending on timing of the meetings.

48. Please comment and/or provide journal entries proposed by the auditors in the prior year?

See question #1

49. Please comment and/or provide a listing of findings or comments made by the auditor to the governing body. Are copies of all auditor submitted documents from the prior year available for review? (i.e. management letter, governance communication)

See attached

50. Please comment on extent of decentralized operations within FW? Describe any decentralized accounting functions that may require site visits during the audit.

The accounting department is centralized in our Fairfax office. Warehousing/inventory are located in our Chantilly, Corbalis, Newington and Central locations.

51. What computer systems are used for general ledger operations? Which systems manually interface with the general ledger? Which systems automatically interface with the general ledger?

We use SAP ERP system for our general ledger operation. We have no manual interfaces with the general ledger.

52. Please comment on FW's quality of the documentation of the accounting systems, policies and procedures

Our policies and procedures are well documented. These include the processes within our SAP system.

53. In an effort to understand the level of effort currently exerted by the current auditing firm, please provide (a) hours billed (b) prior year fees and (c) schedule of auditors in the field? For

example, 2 people 2 weeks in November and 4 people 3 weeks in April. How did the fees charged compare to the fees quoted in the proposal?

See question #11 – Fees charged were what was quoted.

54. How many years have the current auditors been serving FW? How many years have the current engagement partner/principal served FW?

10 years for both.

55. Has there been any untimely (not retirement related) resignations of management level employees?

No

56. Has FW investigated a fraud in the last two years?

No

57. What are the two most significant issues facing FW in the next two years?

Succession planning and implementation of GASB 74/75

58. Describe any relationships with third party service providers used by the entity that may have an impact on the accounting or financial reporting of the entity (i.e. ADP, Paychex, etc).

Fairfax Water's investments are managed by PFM. See question #13 for the Retirement Plan. All accounting and payroll is done in house.

59. Are there any significant changes in operations in the current year vs. the prior year including changes in policies and procedures, personnel, or the reporting entity?

No

NO OTHER QUESTIONS WERE RECEIVED BY THE DEADLINE

II. Acknowledgement

Acknowledge your receipt of, and compliance with, this Addendum by either signing the attached acknowledgement, or referencing its receipt and your compliance, in your bid.

ACKNOWLEDGEMENT OF RECEIPT OF ADDENDUM # 1

I certify that the information contained in the proposal submitted on behalf of the below named firm incorporates any and all changes to the original specification. I further certify by my signature below, that I am fully authorized to acknowledge receipt of the above addendum and also bind the below named firm to the terms, conditions and specifications of the RFP and any changes thereto made by this addendum.

ACKNOWLEDGED BY:

FOR: _____
Company Name

Date

Signature of Authorized Agent

Printed/typed name

Title