



April 3, 2014

REQUEST FOR PROPOSAL

FINANCE RFP#1168 Audit Services

ADDENDUM #1

The City of Springfield is hereby amending or clarifying the above mentioned RFP. The original document can be found on the City's website at www.springfield-or.gov. By selecting the hyperlink *Purchasing/Contracts* from the menu on the left side of the home page, interested parties will be linked to the RFP/ITB page.

- 1. Question:** Are there any specific attributes or characteristics of the audit firm and firm personnel that the City is looking for, and attributes or characteristics the City does not appreciate?

City Response: The City values an audit firm that can recognize the balance between what is ideal and what is realistic. The City also values an audit firm that makes appropriately qualified staff members available for questions and assistance. The City would also like to have consistency, over the time period covered by the contract, in the staff members assigned to our audit.

- 2. Question:** Does the City have flexibility with the audit schedule dates listed in IIIA of the RFP's Attachment A as long as Final CAFR and auditor reports are issued by December 17, 2014?

City Response: The City has some flexibility in the audit schedule dates listed in the RFP. The scheduling of the audit fieldwork is a critical piece in managing the City's accounting staff workload and preventing a bottleneck in our process. Our experience has shown that mid-October is the sweet spot for beginning fieldwork.

- 3. Question:** What were the fees paid to the external audit firm for fiscal years 2011, 2012 and 2013? Please breakout by each entity audited and if invoiced separately, service provided (i.e. audit, other projects).

City Response:

2011: City of Springfield and SEDA - \$39,000; MWMC - \$4,500; RFC - \$1,500

2012: City of Springfield and SEDA - \$42,000; MWMC - \$4,500; RFC - \$1,500

2013: City of Springfield and SEDA - \$42,000; MWMC - \$4,500; RFC - \$1,500

All fees paid were for audit related services.

4. **Question:** What is the accounting basis to which the general ledger is maintained for each fund-type during the year (cash, budgetary, modified accrual, full accrual), what basis it gets adjusted to in the financial close process if different, and what adjustments are made outside of the general ledger in the financial statement drafting process, if any.

City Response: The GL is maintained on a cash basis from July through May of each fiscal year. The GL is converted to a budgetary basis (modified accrual) for the fiscal year-end close in June and is generally completed by August 31st. The City uses a separate set of twin funds to make GAAP basis adjustments which are generally completed by September 30th. The City uses three non-budgetary funds and an excel worksheet to make entity-wide adjustments for reporting purposes.

5. **Question:** Please describe the nature of the assistance requested and received from the external auditor in the recent past with the implementation of new accounting standards, and your expectation of assistance with new standards in future years.

City Response: Over the past five years, assistance in implementing accounting standards has been minimal. The City makes all attempts to be self-sufficient in financial reporting and typically use the auditors as a sounding board or resource for examples of what other clients have done. This assistance has probably never exceeded five hours in any given year.

6. **Question:** Does the City have any activities, transactions, or balances reported in the financial statements where the City believes the accounting guidance is not clear, and have there been any differences of opinion on the correct reporting of the issues in any of your past audits? If so, briefly describe the issue, the differences, and the final resolution.

City Response: Yes. The City receives federal HOME grant funds that it uses for housing assistance loans. During the past fiscal year, there was some disagreement with the City's audit firm fieldwork staff on the proper handling of the loan balances. The City's current practice is to recognize a loan receivable and deferred revenue on a GAAP basis and reclass the deferred revenue as revenue on an entity-wide basis. It was decided, through a larger discussion with the audit firm's principal partner, that the City would continue with the current practice and for the following year the City would do some research on how other similar agencies are handling these types of transactions.

7. **Question:** Please provide details of the audit adjustments determined to be necessary as a result of the audit in the past couple fiscal year audits, as well as adjustments identified but not posted by the City for the most recent fiscal year, by entity.

City Response: The City does a good job in making all the necessary adjustments for financial reporting purposes. That being said, each year, it is not uncommon for the auditors to find a couple balances that need to be adjusted. With the exception of last year, the majority of those adjustments has been related to fixed assets and compensated absences. In the previous fiscal year, there were four adjusting entries recommended by the auditors. Two of those were related to the City's self-funded health insurance plan which was implemented in that fiscal year. A deposit with the plan administrator was expensed on a cash basis and should have been reclassified for GAAP purposes and the self-funded insurance liability was understated. Processes have been put in place to avoid similar adjustments in the future. The third adjustment was a minor adjustment to compensated absences. The fourth and final adjustment moved a liability balance from an agency fund to an enterprise fund. Prior to the submission of a final trial balance to the City's auditors, City staff consulted with an audit staff member on the proper handling of that balance. During the fieldwork, a different audit firm staff member disagreed with the handling of the balance. Through discussion, it was recognized that both treatments of the balance could work, but one treatment was preferable to the other. The City chose to make an adjustment.

8. Question: Has there been turnover in the City's Finance Division in the past year?

City Response: No

9. Question: By what date would a draft SEFA be available to the auditors?

City Response: Around September 15th for a draft that includes all federal grant programs and close estimates on final dollar amounts. A less accurate draft could be provided sooner for planning purposes.

10. Question: By what date would a final SEFA be available to the auditors?

City Response: Around October 15th.

In the event that it is necessary to further clarify, amend, revise or supplement any part this RFP, additional addenda will be posted on the City's website at <http://www.springfield-or.gov> (select the *Purchase Contracts* hyperlink and Addendum 1 Audit Services). As stated in the original solicitation, City will make a reasonable effort to provide the addenda to all Proposers to whom City provided the initial RFP. This addendum shall be considered part of the specification of the RFP. The City is not responsible for any explanation, clarification, interpretation or approval made or given in any manner except by written addenda issued by City.

ALL BIDDERS SHOULD ACKNOWLEDGE AND INCLUDE THIS ADDENDA #1 AS PART OF THEIR SUBMITTAL PACKAGE.