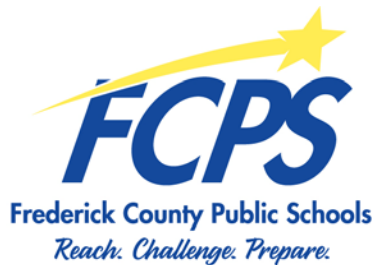


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March 20, 2015

ADDENDUM # 1

RFP 15MISC5, Professional Auditing Services – FCG, FCPS & FCC  
RFP DUE DATE: April 1, 2015, 2:00 PM

This addendum is being issued to clarify questions submitted by vendors for RFP 15MISC5, Professional Auditing Services – FCG, FCPS & FCC.

Questions and Answers

1. Who prepares the financial statements for the Schools and County?

FCG- County staff prepares the financial statements.

FCPS- Department of Fiscal Services.

FCC- College staff prepares the financial statements.

2. How many audit adjustments were made for the School and County?

All entities have had no adjustments.

3. Are Component Units reports received timely for the entities?

FCG & FCC - Yes

FCPS- N/A

4. Has the entities looked at the impact of GASB 68?

All entities- Yes

5. Who takes the lead in the implementation of new GASB's?

FCG- Accounting Department

FCPS & FCC- Department of Fiscal Services

6. What were the audit fees for the three entities for the past year and can they be detailed as they are in the RFP?

All entities –see attached

7. How many audit hours did the current firm have on each entity audit and what was the mix of staff and hours by level?

All entities - unknown

8. When are the entities ready for audit?

FCG- Preliminary fieldwork normally starts in June. The County is ready for the main part of the audit around the first week of October.

FCPS- Ready for preliminary fieldwork May 15; ready for Audit August 15

FCC- Preliminary fieldwork starts in mid-May.

9. Who prepare the schedule of awards for each entity?

FCG- County staff prepares the schedule of federal awards.

FCPS- Senior Grants Accountant

FCC- College staff prepares the schedule of federal awards.

10. Was there any new debt issued for each entity?

FCG- The County has had two refunding bonds issued since 6/30/14

FCPS & FCC- No

11. What accounting software is used for each entity?

FCG- Currently the County uses PeopleSoft Financials 8.4 and PeopleSoft HMRS 8.3. The County issued an RFP in FY14 to procure new accounting software and is currently in negotiations with Infor Enterprise Solutions to replace PeopleSoft.

FCPS- PeopleSoft

FCC- Currently the College uses PeopleSoft Financials, PeopleSoft Campus Solutions, and PeopleSoft HRMS.

12. Can the current audit firm propose?

Yes

13. Describe your governance structure and oversight?

- a. How many sub-committees exist?
- b. Is there an Audit Committee, and how many members are there?

FCG- Frederick County Government (FCG) transitioned from a Commissioner to Charter form of government on 12/1/14 with a County Executive serving as our Executive Branch and a seven member Council serving as our Legislative Branch.

- a. Currently FCG does not have any sub-committees.
- b. FCG has an Internal Audit Division who reports to the Interagency Internal Audit Authority (IIAA). The IIAA is an independent agency consists of a seven member board comprised of 1 representative each from the County Council, Board of Education and Frederick County College Board of Trustees and four members from the public with expertise in accounting, auditing and internal controls. The IIAA reports to the County Council.

FCPS- a. There are no sub-committees.

- b. No formal Audit Committee. Our Board consists of seven members.

FCC- a. A seven-member Board of Trustees oversees Frederick Community College.

- b. There will be 3-5 members participating on the Audit committee.

14. Accounting/Finance Department:

- a. Is there a monthly close? How often is the close performed?
- b. Are there substantial post-closing entries at year end?
- c. When do you typically have a draft of the CAFR available for auditor review?
- d. Who is responsible for managing the records of federal funding? Is the management segregated into various departments which use the funding, or does someone in the accounting/finance department oversee all federal funding accounting, reporting, etc.?
- e. FCPS- Does the School System maintain its own payroll system or is a third-party vendor (such as ADP) used?

FCG- a. FCG does not perform a monthly close. The General Ledger (GL) is closed only once annually.

- b. FCG doesn't usually have any post-closing entries at year end because the GL is only closed after the audit is complete.

- c. The draft of the financial statements is typically available for auditor review around the end of November.

- d. The responsibility for managing the records of federal funding are segregated into various departments, however all financial reporting is reviewed by the Accounting Department. Accounting currently has two grant accountants that review all fiscal grant reports.
- FCPS-
- a. There is no formal monthly close. The year-end close is performed annually after all entries are in and the yearly audit is complete.
  - b. There are no post-closing entries at year-end. The accruals are done before the year-end close.
  - c. A draft CAFR is available for auditor review on or about September 15.
  - d. Various managers in the departments that use the federal funds are responsible to manage the funds while the senior accountant for the Restricted Fund in the Budget and Finance Department oversees the accounting and reporting of federal funding.
  - e. FCPS maintains its own payroll system.
- FCC-
- a. Yes, there is a monthly close process.
  - b. No.

15. Internal Audit:

- a. How often are reports issued by Internal Audit?
  - b. Do the current auditors' use the work of internal audit within the financial statements or A-133 testing?
- FCPS-
- a. Reports are issued by the Interagency Internal Audit Authority approximately every two years coinciding with audits.
- A contracted CPA monitors the School Activity Funds at each school and the cash procedures of the Food and Nutrition Services Fund.
- b. The current auditors use the work of the internal auditors, and the work of the contracted CPA in their auditing of the financial statements.
- FCC-
- a. Reports are issued as internal audit investigations are completed.
  - b. The College provides the internal audit report to the auditors; the College is not sure if/how they use the report during testing.

16. FCC- When would you expect for your auditor's to complete their work?

FCC- Preliminary fieldwork begins in mid-May. The completion of the audit is mid-August.

17. FCG- Do you expect the fieldwork to be conducted in your administration building, and if so, for how long?

FCG- The majority of the fieldwork can be conducted in Winchester Hall with a few exceptions. Fieldwork normally starts the beginning of October and ends late November.

18. FCPS- Do you expect the fieldwork to be conducted in your administration building, and if so, for how long? Do you expect site visits to be conducted at any of the school buildings? If so, how many school visits and what procedures would be expected at each school?

FCPS- The majority of the fieldwork is to be conducted in the administrative building, with some work in the warehouse and a limited number of other offices housed elsewhere, such as Food and Nutrition Services, Transportation, and the Bus Garage.

It would be expected that the preliminary audit fieldwork be conducted during the two week period from May 4 through May 8 and May 11 through May 15. The audit fieldwork is then expected from August 17 through August 21 and August 24 through August 28.

There will be no site visits required to any of the school buildings as reliance may be placed upon the work of the contracted CPA who visits all schools throughout the year. The school records are received in the Administrative Office building at the end of the year and are available for review.

19. Financial Statement:

- a. FCC- Is the Component Unit (Community College Foundation) audited by another firm? If so, who and when are those financial statements available?  
FCG- Is the County implementing any new GASBs in FY2015?

- b. FCC- Why are there no adjustments to GASB for the Community College Foundation amounts included in the report? It appears the Foundation's financial statements are under FASB?  
FCG- The RFP notes 3 special revenue funds don't have legally adopted budgets. Which funds? Are they budgeted as part of another fund? If they are not included in the budget at all, how is spending authority determined/restricted for these funds?

- c. FCC- What steps has management undertaken in regards to the projected implementation of GASB 68 related to its Pension?  
FCG- The RFP notes four special revenue funds that don't qualify as Special Revenue funds, and that they should be part of the capital project fund. Which funds? Why weren't they moved in the prior year CAFR?

FCG- a. The County will implement GASB 68 in FY2015.

- b. There are actually six special revenue funds that don't have legally adopted budgets. They are Sheriff's Drug Enforcement, Narcotics Task Force, State Attorney Law Enforcement Aid, Inmates Canteen, Non-Profit Organization Loans and Fire/Rescue Loan Funds. Spending authority is restricted through our Accounting software configurations. The system requires the Budget Office to perform budget overrides before any disbursements or journal entries occur.

- c. The four funds that are budgeted as Special Revenue funds but no longer qualify per GASB Statement 54 are the Development Road Improvement, Parks Acquisition and

Development, School Construction and Impact Fee Funds. These funds have been merged into the Capital Projects Fund at the GAAP level of reporting (modified accrual) for all years since GASB 54 was implemented.

- FCPS-
- a. Yes. FCPS will implement any new applicable GASB pronouncements as required each year.
  - b. There are no financial procedural effects of the transition to the charter form of government. There are however budgetary procedural effects from this change going forward into the FY16 budget year, the extent of which is not yet known.
  - c. July 1, 2014 was the date of the most recent actuarial report for OPEB funding. As the reports are issued every two years, with yearly updates, the next actuarial report will be dated July 1, 2016.
  - d. The Artificial Turf Fund currently includes funds collected for use of the fields, with the purpose being to use these funds for future replacements or repairs of the fields as needed. As the fund is currently comprised almost exclusively of billings, the audit procedures would have consisted of A/R review. This fund is currently a special revenue fund and has no expenses to date.
  - e. The inventory for the Food and Nutrition Services Fund is maintained in the warehouse and in the schools. Inventory counts are conducted.
- FCC-
- a. The Foundation is audited by the same firm as the College and usually at the same time as the College's audit. The Foundations statements are available at the same time as the College's; by September 30th each year.
  - b. Yes, the Foundation statements are under FASB not GASB.
  - c. The College has looked at the impact of GASB 68, but we are waiting until FYE to make an entry with information from Maryland State Retirement System.

20. A-133 Single Audit:

- a. How many major programs are generally audited on an annual basis within the past three years?
  - b. FCG- Are there any new federal funding programs that could be considered Major?  
FCPS & FCC- If applicable, is there any work performed by Internal Audit in this area?
  - c. FCG- Programs expected in FY2015?  
FCPS- Are there any new federal funding programs that could be considered Major Programs expected in FY2015? Typical Major Programs include Child Nutrition Cluster, Title I Cluster, Special Education Cluster, and Title II.  
FCC- Any new federal funding expected?
  - d. FCPS- Are federal funds passed through to the three charter schools, and if so, are proper pass-thru and sub-monitoring procedures performed in accordance with A-133?
- FCG-
- a. Major programs – FY 2012-5; FY 2013-2; FY2014-3

- b. No
  - c. The number of programs for FY 2015 is not known at this time but is believed to be comparable to prior years. FCG's prior audits can be found on our website at <http://www.frederickcountymd.gov/2716/Financial-Information>
- FCPS-
- a. One to four major programs on average on an annual basis.
  - b. No
  - c. No new federal funding programs.
  - d. To date there are no federal funds passed through to charter schools.
- FCC-
- a. 4-6
  - b. N/A
  - c. Yes

21. Reporting:

- a. Can we obtain latest copy of the management letter?
- b. FCG & FCPS- Can we obtain a copy of the adjusting journal entries proposed by the predecessor auditors?  
FCC- Can we obtain latest copy of the A-133 report?
- c. FCG & FCPS- Were there any significant deficiencies, material weaknesses, or findings of noncompliance issued in the past 3 years?  
FCC- Any other reports to be issued? If so, can we obtain those reports as well?
- d. FCG- The RFP discusses potential additional consulting engagements. Over the previous 3 years, to what extent did this occur? How many hours did the engagements wind up being?  
FCPS- Will an Agreed-Upon-Procedures report be required for determining that periodic reimbursements to MSDE for retirement contributions for employees charged to non-eligible sources are correctly calculated in accordance with Maryland Senate Bill 358?  
Can we obtain a copy of the report for FY2014?
- e. FCG- The RFP suggests reaching out to the prior auditor for audit reports. We were able to located the CAFR on the County website, and requested the below listed reports from the previous auditor. Are there any other reports to be issued? If so, can we obtain those reports as well?
  - i. Landfill Closure and Post-closure costs
  - ii. Audit of the Schedule of Revenues and Expenditures for the Office for Children and Families
  - iii. Audited financial statements of Bell Court Apartments
  - iv. Attestation engagements for Scott Key Center (2 separate reports)

v. 911 Trust Fund audit

FCPS- Any other reports to be issued? If so, can we obtain those reports as well?

- f. FCG – How does the timing of the above listed attest engagements line up with the fieldwork and completion of the CAFR audit?

- FCG-
- a. The latest required communication letter is attached.
  - b. The County hasn't had any proposed adjusting journal entries during the last contract period.
  - c. No.
  - d. N/A
  - e. See attached pdf's of item i, iii, iv and v. The Office of Children and Families audit can be found on our website at: <http://www.frederickcountymd.gov/2716/Financial-Information>. The Scott Key Center wage survey is not due until April 3, 2015.
  - f. Most of these engagements are performed during the same time period as the CAFR audit except for 1) Bell Court's audit is performed in September 2) Scott Key Centers statement of client attendance days is performed in December and 3) Scott Key Center Wage Survey is normally performed in February.

- FCPS-
- a. No management letter is available.
  - b. There were no adjusting journal entries proposed by the predecessor auditors.
  - c. There were no significant deficiencies, material weaknesses, or findings of noncompliance issued in the past three years.
  - d. An Agreed-Upon-Procedures report will not be required for retirement contributions for employees charged to non-eligible sources.
  - e. No other reports are to be issued.

- FCC-
- a. Auditors report is the first few pages of the financial statement.
  - b. See Attached.
  - c. Yes and see attached.

22. FCPS- Can we obtain a copy of the reports issued to the other accountants related to audits of the Student Activity Funds and Food and Nutrition Services cash collection procedures? Do you know if predecessor auditors relied on their work?

FCPS- Samples of reports issued by the independent contracted CPA for the Student Activity Fund and Food and Nutrition Services Fund cash collection procedures may be made available upon request. As mentioned in 3b there is some reliance on this work.



Thank you,

Stephen P. Starmer, C.P.M.  
Purchasing Manager

SS:mg

cc: FCG  
FCPS  
FCC  
RFP File