

RESPONSES TO QUESTIONS

RFP for Professional Audit Services

Date: February 2, 2017

Question 1: How long has the current auditors been performing the audit for the City?

Response 1: Van Lant and Fankhanel, formerly known as Teaman Ramirez and Smith (TRS), provided auditing services to the City for fiscal year ending 2012 through 2016; a total of 5 years.

Question 2: How many auditors and how many weeks were the auditors on site for both interim and year end field work?

Response 2: The City was provided with a Partner, Manager, Senior Accountant and Staff Accountant. The first couple of years, interim and field work took about two weeks each, and for the last two years it took about one week each.

Question 3: What were the prior audit fee(s)?

Response 3: City Audit and related reports: \$31,200, Gann Limit report: \$300, and Single Audit report \$2,500; if applicable. The total annual contract amount was \$34,000.

Question 4: Are there any new services requested in this RFP that were not included in the prior year audit fee?

Response 4: No.

Question 5: Will there be a Single Audit? If applicable, please provide the most recent copy of the report.

Response 5: It is expected that the City will meet the threshold for a Single Audit report for fiscal year ending June 30, 2017. The City's most recent Single Audit report is for FY 2013-2014, and is available on the City website. Please find the link below.

<http://ci.san-fernando.ca.us/wp-content/uploads/2017/02/Single-Audit-Report-FY-2013-2014.pdf>

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Question 6: How many journal entries were proposed by the auditors? Were there any findings?

Response 6: During the last audit, the auditors proposed three adjusting journal entries, which included approximately 7 transactions. There were no findings.

Question 7: Were there any material adjustments made by the auditors in connection with the examination of the prior year Financial Statements?

Response 7: No.

Question 8: Has the City entered into any Major Contracts, Studies and/or Started any Projects in the Current Fiscal Year that would not be reflected in the Prior Year Financial Statements?

Response 8: There is a CNG station upgrade that is currently in progress. It is being funded with federal funds and is expected to exceed the threshold for filing a Single Audit report.

Question 9: Any New Debt Issuances in the Current Fiscal Year?

Response 9: No.

Question 10: Is the City involved in any litigation not included in the Prior Year Financial Statements?

Response 10: No.

Question 11: Any other Major Changes in the Current Fiscal Year that would affect the operations of the City?

Response 11: The City Manager recently left to serve as City Manager for another City. The Finance Director was appointed Interim City Manager until a permanent City Manager is hired. This should have minimal impact on operations.

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Question 12: How did you measure the quality of the audit performed?

Response 12: Timeliness, accuracy, and constant communication are important factors to the City when assessing the quality of the audit.

Question 13: What audit areas, in your opinion, were cumbersome?

Response 13: The GASB 68 entries.

Question 14: What efficiencies would you like to see in the audit of the City's financials?

Response 14: The City would like to ensure that the financial statements continue to be completed in a timely manner, in accordance with GASB Standards and in compliance with all applicable guidelines and regulations.

Question 15: What is the reason that you are considering changing the auditor?

Response 15: The current auditor's contract has expired.

Question 16: Will your prior auditors be invited to bid?

Response 16: Yes.

Question 17: Is the scope of the service requested the same as last year?

Response 17: Yes, including a Single Audit report, if applicable.

Question 18: Have there been any changes in your accounting system or software since last year?

Response 18: No.

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Question 19: Do you expect to have any retirement or replacement of key employees?

Response 19: The City Manager recently left to serve as City Manager for another City. The Finance Director was appointed Interim City Manager until a permanent City Manager is hired.

Question 20: What is the current year budget for auditing services?

Response 20: \$40,000

Question 21: Is there anything specific that you are looking for with the successor auditors?

Response 21: The City is looking for auditors with good communication skills that will consistently advise us of any relevant issues, problems, inaccuracies, etc.

Question 22: What are the things you liked and didn't like about your current auditors?

Response 22: We appreciated that the current auditors were always available and communicated any questions or concerns during the audit process, and did not have any specific dislikes.

Question 23: What are the things you liked and didn't like in the audit process followed by your current auditors?

Response 23: The current auditors followed a relatively standard audit process with interim field work in the spring and year-end field work in the fall. They were in constant communication with staff, which was appreciated.

Question 24: How many adjusting entries you had last year?

Response 24: The City processed 336 journal entries in FY 2015-2016 which include an estimate of 15 to 20 monthly recurring entries.

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Question 25: Do you expect to have a single audit this year?

Response 25: The City expects to have a Single Audit report for fiscal year 2016-17. Please price this separately as there are years that the City does not meet the threshold.

Question 26: How many major programs you had last year?

Response 26: The City did not have any major programs in fiscal year ending June 30, 2016.

Question 27: How much were the total federal expenditures last year?

Response 27: Total federal expenditures for fiscal year ending June 30, 2016 were about \$250K.

Question 28: Are there any unique transactions you are expecting for the first audit year?

Response 28: Unknown at this time.

Question 29: What are your 3 top considerations for selecting your new auditor?

Response 29: In no particular order:

1. Completeness and Comprehensiveness.
2. Responsiveness to City's needs.
3. Quality of proposed staff and experience of the firm providing similar services to other municipalities.

Question 30: Were there any difficulties encountered during the prior audits?

Response 30: No.

Question 31: What improvements would you like to see in your audits?

Response 31: The City would like the audits to continue to be timely, accurate, and comprehensive.

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Question 32: Do you have an audit committee? If no, who is auditor going to be responsible to?

Response 32: Ultimately, the City Manager. The Senior Accountant is the liaison person for all the departments and all questions would be referred to this person.

Question 33: Please describe the nature and magnitude of the audit adjustments in prior year, if any.

Response 33: Three adjusting journal entries which included an estimate of seven transactions pertaining to grant reimbursements, investments and the Successor Agency.

Question 34: Is your organization involved in any litigation and/or regulatory examinations/audits?

Response 34: No.

Question 35: How many major programs are anticipated for Single Audit in 2017, 2018 and 2019?

Response 35: The City's primary federal funding is CDBG (approximately \$225,000/year) and grants. The City has a CNG station project that will most likely exceed the threshold for preparing a Single Audit in 2017 and 2018.

Question 36: Were there any material weaknesses or significant deficiencies in the prior year?

Response 36: No.

Question 37: How many major programs are usually tested each year for the single audit?

Response 37: In 2014 the City had (1) major program.

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Question 38: The City's 2016 CAFR was issued December 30, 2016. The RFP notes that final products are to be delivered by November 30th of each year. What was the cause for delay in 2016?

Response 38: Staff was working on the GASB 68 entries and finalizing the MD&A.

Question 39: How many hours did your previous auditors encounter for all services?

Response 39: Unknown. The contract was a flat rate for service, not time and materials.

Question 40: Please expand on how the City provides the auditor the information for preparation of the CAFR? Does the City prepare the rolled up funds or would the auditor obtain a trial balance to develop the funds from scratch?

Response 40: The auditors provide a "Provided by Client" (PBC) list to City staff prior to Interim and year-end field work. With guidance from staff, the auditors would roll up funds using the trial balance.

Question 41: Does the City prepare and provide the Introductory Section, MD&A and Statistical Section?

Response 41: Yes.

Question 42: Who prepares the GASB 68 journal entries?

Response 42: Staff prepared the GASB 68 journal entries by utilizing a schedule provided by the auditors.

Question 43: How many observations/findings were noted by the audit firm for the 2016 and 2015 audits? Please provide Management Letters and, if applicable, descriptions of any significant deficiencies or material weaknesses.

Response 43: The City had one finding in 2015, which was the City's General Fund total deficit fund balance of \$4.1M, and the same finding continued in 2016. The City's response to the finding can be found in Note 10 of the CAFR.