

Missouri  
Department  
of Transportation



Kevin Keith, Director

105 West Capitol Avenue  
P.O. Box 270  
Jefferson City, MO 65102  
(573) 751-2551  
Fax (573) 751-6555  
www.modot.org

**ADDENDUM 001  
REQUEST FOR PROPOSALS  
MoDOT Audit Services  
Request for Proposal 6-120914TV**

Offerors should acknowledge receipt of Addendum 001 (ONE) by **signing** and **including it** with the original proposal. The due date for receipt of proposals remains **unchanged** by this Addendum. Accordingly, the following clarifications, questions and answers are believed to be of general interest to all potential Offerors. All other terms and conditions remain unchanged and in full force.

Name and Title of Signer (Print or type)	Name and Title of Department Authority  Name Tom Veasman Title Sr. General Services Specialist
Contractor/Offeror Signature	Department of Transportation  
(Signature of person authorized to sign)	(Authorizing Signature)
Date Signed:	Date Signed: 8/29/12

**Question 1:**

Section 4 (A)(2) – States proposals shall be limited to fifteen pages excluding the cover letter. Can you confirm that the 15 pages also excludes the cover page, table of contents and the forms required to be submitted such as the pricing pages, exhibits, introduction/acceptance page and affidavits?

**Response:**

Yes, it does.

**Question 2:**

How many auditors are in the field for interim and for how long typically? What about at year-end?

**Response:** In the past few years, there have been two to three auditors for approximately one week for interim and three to four auditors for four to six weeks for year-end.

**Question 3:**

What were the base audit fees for the last three fiscal years? Were there additional billings and if so, can you disclose the amount of these?

**Response:**

Fiscal year (FY) 11	\$287,107
FY 10	293,297
FY 09	291,040

No additional billings.

**Question 4:**

The Yellow Book opinion for the year ended June 30, 2011 noted no material weaknesses. Have there been any changes in internal controls that could adversely impact the June 30, 2012 Yellow Book opinion?

**Response:**

No

**Question 5:**

Do you anticipate having 3 major funds for the June 30, 2013 audit?

**Response:**

Yes.

**Question 6:**

Since you prepare the financial statements and CAFR, when is the first draft of the statements typically available to the auditors? Trial balances also?

**Response:**

First draft of statements and trial balance have typically been available by mid-August.

**Question 7:**

Are the government-wide financial statements, introductory section, and statistical section of the CAFR available at the same time as the fund financial statements, or are they prepared later? If later, what is the approximate timing for these to be available?

**Response:**

The first draft of the statements (fund and government-wide) has typically been available by mid-August. The first drafts of the notes to the financial statements and the statistical section have typically been available one week later. The introductory section is not typically available until mid-September.

**Question 8:**

Will all or a majority of requested work papers be available to us on the first day of fieldwork, or close? If not, when?

**Response:**

The majority of work papers are available before mid-August. The remainder are available later in August with a few available after September 1.

**Question 9:**

Has there been any audit adjustments made to the financial statements of MoDOT during 2011 and 2010? If so, please explain the number and nature of the adjustments.

**Response:**

Addition of inventory items, depreciation expense.

**Question 10:**

Were there any immaterial uncorrected misstatements (passed journal entries) last year? If so, what was the nature of the entries?

**Response:**

Addition of inventory items.

**Question 11:**

Did the Government Finance Officers Association provide any comments or request any changes to MoDOT's CAFR as part of the certificate program for 2011? If so, what were the comments?

**Response:**

MoDOT did not submit the 2011 CAFR to GFOA. All comments from the 2008 GFOA review were incorporated. (Because the State does not report MoDOT funds individually, MoDOT is not eligible for the GFOA certificate; therefore, the CAFR is not submitted annually.)

**Question 12:**

If we, in consultation with your staff, determine that it would result in a more efficient audit engagement, could we obtain trial balances for all funds in Excel in order to upload into our audit software?

**Response:**

Yes, the trial balances are available in Excel.

**Question 13:**

Can you be specific as possible concerning historically when your auditors are typically in the field and at what level the staffing of your auditors has been for both interim and year-end including how many staff auditors are involved in each stage of the audit and for how long they are in the field (example, 2 weeks interim, 2 staff, 4 week year end 3 staff, etc)? Not asking for total as some work is done not in the field, only what you have observed for fieldwork.

**Response:**

See question 2.

**Question 14:**

What has been the typical start dates for interim procedures in the field and year end fieldwork?

**Response:**

Interim – beginning to mid-June.

Year-end – beginning of August (not first few days of month).

**Question 15:**

Has there been any significant financial fraud found over the past two years?

**Response:**

No.

**Question 16:**

What were the fees paid to your auditors for the 2011 audit? Were there any additional services or scope changes that caused additional fees beyond the original contract amount?

**Response:**

See question 3.

**Question 17:**

Was the internal auditor used in the audit? If so, please describe the areas that they assisted in.

**Response:**

Internal auditors provided work related to capital assets, including infrastructure and other state agency expenditures from the Missouri Highway and Transportation Department fund.

**Question 18:**

Have there been any program reviews, additional audits or site-visits by Federal funding sources in the last two years? If so, what was the result of the review/visit?

**Response:**

Yes. The State Auditor's Office reviews MoDOT annually as part of the Statewide Single Audit. In addition, several entities perform audits of MoDOT's operations including MoDOT's Audits and Investigations and Federal Highway Administration.

**Question 19:**

Is an actuary or third party administrator used to help calculate the Department's self-insured loss exposures?

**Response:**

Yes.

**Question 20:**

What and how many presentations are required for the auditors to the audit committee and/or the Board? To whom and typically when?

**Response:**

Auditors typically present the CAFR to the Audit Committee and the Commission on consecutive days at the beginning of November.

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**Question 21:**

Were there any significant deficiencies or material weaknesses reported in the past 2 years? If so, may we get a copy of the management letter for the past 2 years?

**Response:**

No.

**Question 22:**

Does the Department use any service organization to process transactions that a SOC1 report would be necessary to obtain?

**Response:**

Our medical and prescription drug program are handled via a third party. We also have funds held by a bank.

**Question 23:**

Please explain what system is currently used to accumulate and account for capital assets/CIP activity?

**Response:**

SAMII accounting system, Excel spreadsheets.

**Question 24:**

Did MoDOT issue any new bonds payable during fiscal year 2012? If so, were any of these issuances refundings of existing bond series?

**Response:**

No.

**Question 25:**

Is MoDOT subject to any significant debt covenants, such as rate covenants related to enterprise fund debt, or deadlines by which financial statements must be submitted to the bond trustee?

**Response:**

Statute requirement.

**Question 26:**

Does MoDOT believe that it has any service concession arrangements as defined by GASB Statement No. 60?

**Response:**

No.

**Question 27:**

Has there been a reduction in MoDOT's accounting staff as a result of reorganization? If so, will that have any impact on the timing and amount of assistance provided to the auditors? Also if so, do you anticipate any impact on the ability of MoDOT to prepare for the audit and produce the CAFR within the timelines typically met in prior years?

**Response:**

Yes. No. No.

**Question 28:**

Has the previous auditor performed interim work? If so, what was the timing and staffing (number of people and approximate hours for each)? If not, are you agreeable to allowing interim work to be performed? If agreeable, what dates would be permissible?

**Response:**

See question 2.

**Question 29:**

What was the timing and staffing for the audit firm (number of people and approximate hours for each) of final fieldwork for the audit of the year ended June 30, 2011, or if known as of the date of your response, of the year ended June 30, 2012?

**Response:**

See question 2.

**Question 30:**

Did the previous auditor report any significant deficiencies or material weaknesses in internal control? If yes, have these been remediated?

**Response:**

See question 21.

**Question 31:**

Is a copy of the FY2011 SAS 114 letter and management letter available?

**Response:**

SAS 114 letter is available at the back of the CAFR. The management letter clearly states it is intended solely for the information and use of MoDOT's Audit Committee and the Missouri Highways and Transportation Commission.

**Question 32:**

When does the State Auditors' Office typically perform the Single Audit and when are the reports available?

**Response:**

MoDOT's information is due to the State Auditor's Office in early October. They do not start their work until the financial statement audit is complete. They have until March 31<sup>st</sup> of the following year to complete work.

**Question 33:**

If the Single Audit is not complete prior to MoDOT's field work, would the State Auditor be able and willing to provide preliminary findings on compliance matters for federal programs to the MoDOT financial statements auditor for consideration in the auditors' report on compliance matters under Government Auditing Standards?

**Response:**

See question 32.

**Question 34:**

What has historically been the involvement of the AI in the audit? Has there been any reduction in the AI as a result of reorganization?

**Response:**

See question 17.

**Question 35:**

Did the prior auditor utilize the AI unit staff and, if so, what types of procedures did they perform and how many hours were they utilized?

**Response:**

See question 17.

**Question 36:**

Are MoDOT's general ledger, trial balance, budget and other records available electronically?

**Response:**

Data from the state's SAMII system is accessed by report writing software with can be saved in Excel. Other records are produced in Excel.

**Question 37:**

What types of software does MoDOT use for its financial accounting and reporting processes? Are all financial records on the same system? Is the software programmed specifically for MoDOT, and if so, who performs the software programming, testing and maintenance?

**Response:**

MoDOT utilizes the state's SAMII accounting system, which is maintained by the state's Office of Administration. MoDOT also utilizes Excel.

**Question 38:**

Have there been any significant changes during the prior two years and the current fiscal year in the accounting software and systems used by MoDOT? If so, have there been any difficulties in implementing these changes? Are any significant changes planned for the period covered by this proposal?

**Response:**

No. No.

**Question 39:**

How soon are the combined financial statements and adjusted trial balance ready?

**Response:**

Preliminary by mid-August; final before mid-September.

**Question 40:**

Does MoDOT's staff prepare auditor requested schedules and work papers?

**Response:**

Yes.

**Question 41:**

Are you aware of any requests from the auditors in recent prior audits for schedules, work papers or other audit documentation from MoDOT's staff that have not been provided? If so, please describe.

**Response:**

No.

**Question 42:**

Have there been or do you anticipate there being any limitations imposed upon auditors' access to MoDOT's computerized transaction files that will limit the auditors' ability to utilize data extraction software such as ACL or IDEA? Have these tools been used in recent audits by the independent auditing firm?

**Response:**

No. Yes.

**Question 43:**

Were the books and records and all supporting documentation requested by the auditors for the year ended June 30, 2011, ready at the pre-arranged starting dates for final fieldwork? If not, please describe the reasons.

**Response:**

Yes.

**Question 44:**

If MoDOT does switch auditing firms, is MoDOT willing to help with any first year documentation for such things as significant transaction cycle procedures, including key internal controls, and significant policies with audit implications that have not been documented by MoDOT?

**Response:**

MoDOT has extensive flow charts documenting significant transaction cycle procedures, including key internal controls and significant policies with audit implications that can be provided.

**Question 45:**

Has the previous auditor performed any type of site visits? If yes, which sites were visited?

**Response:**

No

**Question 46:**

When does MoDOT take its annual inventory count? Has the previous auditor observed inventory counting? What was the timing of the observations?

**Response:**

March – April. No.

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**Question 47:**

Does MoDOT have a system in place for capitalizing, depreciating and maintaining detail records for its capital assets, including infrastructure? Are these reconciled to the financial statements?

**Response:**

SAMII accounting system and Excel

**Question 48:**

Does MoDOT take a physical inventory of its movable capital assets?

**Response:**

Yes.

**Question 49:**

A significant portion of MoDOT's investments are handled by the State Treasurer's Office. How does MoDOT assure itself that its investments are accounted for and reported properly?

**Response:**

State Auditor's Office audits and State Treasurer's office policy and procedure.

**Question 50:**

Who is the administrator for the various self-insured programs? If third party administrators are used, will SSAE 16 reports for each be available for our use and when would these reports be available?

**Response:**

Currently, Coventry and Catalyst are the third party administrators. SSAE reports were available for interim field work.

**Question 51:**

The financial statements reflect pending self-insurance claims and incurred but not reported claims. Are these all for workers compensation, medical claims and general liability? Does MoDOT have a process for accumulating claims obligations?

**Response:**

Fleet vehicle liability. Yes.

**Question 52:**

It appears MoDOT provides post-employment medical or other benefits. Who prepares the actuarial report used for the financial statements?

**Response:**

Aon Hewitt prepared the most recent report.

**Question 53:**

Are all bond accounts held in trust handled by the same trustee?

**Response:**

Yes.

**Question 54:**

Are any significant changes in operations, revenue sources, or debt anticipated in the upcoming 3 years?

**Response:**

Moving Ahead for Progress in the 21<sup>st</sup> Century, a two-year federal transportation bill, recently passed and decreased Federal apportionments.

**Question 55:**

Does MoDOT have written documentation covering the currently used accounting procedures and internal control over the procedures, such as in an accounting manual or flow charts?

**Response:**

Yes.

**Question 56:**

Has the previous auditor typically made or proposed any adjusting entries? If so, what was the nature and extent of the typical entries, particularly those for the June 30, 2011, audit? Were the entries uncovered by the auditor as a result of the audit or entries MoDOT had not yet recorded?

**Response:**

See question 10. Entries MoDOT had not yet recorded.

**Question 57:**

Have there been any issues or dissatisfaction with the previous auditor?

**Response:**

No.

**Question 58:**

How long has the previous auditor provided services to MoDOT?

**Response:**

Eight years with various in-charge auditors and reviewing partners.

**Question 59:**

What have the audit fees been for each of the past two years? What, if any, portion of these fees were in excess of the amount originally proposed for each year, and what reasons were given for the additional fees?

**Response:**

See question 3. No excess fees.

**Question 60:**

The RFP refers to the auditor being available for consulting and special projects. Did the previous auditor provide any services other than the financial statement audit? If so, please describe the types of services provided and the fees paid for them.

**Response:**

No.

**Question 61:**

Does MoDOT anticipate using more consulting and special project services in the future than it has in recent prior years? If so, please describe any that are specifically anticipated at this time.

**Response:**

No.

**Question 62:**

The price page calls for a single hourly rate for “additional consultant work not related to audit”. Our hourly rates vary based on the expertise of the professionals in our firm, and assignments to consulting work are based on the level of expertise needed for the particular project. Is it acceptable to list a rate for each of our various staff and partner levels?

**Response:**

Yes.

**Question 63:**

Has the prior audit firm indicated whether or not it intends to propose on the current three year engagement?

**Response:**

BKD has indicated that they will submit a proposal.

**Question 64:**

Which firms have been invited to respond to the RFP?

**Response:**

Deloitte & Touche

KPMG

Evers & Company

Daniel Jones & Associates

Ernst & Young

Price Waterhouse Coopers

Williams-Keepers

Graves & Associates

McGladrey & Pullen

Brown Smith Wallace

Baird, Kurtz & Dobson

Ruben Brown Gornstein & Company

Grant Thornton

The solicitation was also placed on MoDOT's website.

**Question 65:**

How many responses did MoDOT receive the last time the audit was submitted for bids? Which firms submitted proposals?

**Response:**

BKD, Daniel Jones, Ruben Brown, Williams-Keepers submitted proposals.

**Question 66:**

Section (4)(A)6 indicates offerors may submit joint ventures. Our firm is a member of an accounting association that provides assistance to firms within the association. In our situation, we are the firm proposing, and any other firm's work would be done under our name and supervision so it is not exactly a joint venture. As long as we describe the process, is this acceptable?

**Response:**

Proposed staffing and process description should be documented and in compliance with auditing guidelines.

**Question 67:**

The RFP indicates that all **written** questions must be addressed to Tom Veasman no later than 10:00 a.m., CST, August 17, 2012. Section (1), paragraph (F) indicates questions can be submitted in a number of ways, including phone. Will there be opportunity to ask additional questions **verbally** (by phone) after 8/17 and before the proposal is due? If so, to whom should these questions be directed and what is that person's phone number?

**Response:**

The deadline for questions has passed and there will not be another opportunity to ask questions before the proposal deadline.

**Question 68:**

Are the affidavits for unauthorized aliens (Exhibit C) and Lawful Presence (Exhibit D) only required if the proposer is successful or should they be submitted with the proposal?

**Response:**

These forms are typically submitted with the proposal, but not submitting them initially would not be grounds for refusing your proposal.