

Request for Proposals for Financial Audit Services

Addendum Number 1 – Issued February 26, 2021

The Santa Barbara Metropolitan Transit District (MTD) issues this Addendum No. 1 to its *Request for Proposals for Financial Audit Services* (RFP) issued February 4, 2021. This addendum and supporting attachment provides clarification and addresses the questions (Q) by Offerors, with a response (R). This addendum is now incorporated into and part of the RFP. Except as modified by this addendum, all other terms and conditions of the RFP remain unchanged.

Proposals will be accepted at purchasing@sbmtd.gov until Wednesday, March 10, 2021, at 10:00 AM PST.

Clarification regarding major changes at MTD

Q1 – “Were there any major changes in the scope of services requested in the RFP compared to the prior year’s engagement?”

“Are there any new services requested in this RFP that were not included in the prior year audit fee?”

R1 – No.

Q2 – “Has there been a major change in budgetary size from the prior year?”

“Any other Major Changes in the Current Fiscal Year that would affect the operations of the MTD?”

R2 – No, although there has been a substantial reduction in fare revenue due to the Coronavirus disease (COVID-19) which has been backfilled with federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Q3 – “Significant changes to operations or funding sources? Any CARES Act funding received in FY 2021?”

R3 – 15% transit services reduction due to pandemic; significant loss in fare revenue. Operating loss being fully offset by receipt of federal CARES Act funding.

Q4 – “Any New Debt Issuances in the Current Fiscal Year?”

R4 – No.

Q5 – “Were there any significant transactions (e.g., bond issuance, leases) during the year?”

R5 – MTD recorded a \$2.2M bus capital lease in FY19-20.

Q6 – “Significant construction or capital projects?”

R6 – Previous Year recorded the passenger facility renovation completed; bus acquisition contract award; bus refurbishing in progress; and charging facility infrastructure in planning stage.

Q7 – “For FY '21, does the District anticipate any new federal programs?”

“Has the MTD 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?”

“Are there any new programs in FY 2021?”

R7 – Likely, federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funding from second COVID-19 federal relief bill; received as Federal Transit Administration (FTA) 5307 formula funds. State Sustainable Communities grant for planning.

Q8 – “Is the MTD involved in any litigation not included in the Prior Year Financial Statements?”

R8 – No.

Q9 – “Has there been any turnover in management during the past year?”

R9 – No.

Q10 – “Has there been any turnover in accounting staff during the past year?”

R10 – Yes, replacement of Assistant Finance Manager in February 2020.

Q11 – “Any changes to the governance structure of the organization?”

R11 – No.

Q12 – “Due to COVID-19, are you open to allowing audit firms to work remotely for the audit engagement duration?”

R12 – Yes.

Q13 – “Due to the COVID pandemic restrictions and safety measures, will digital proposals be accepted in lieu of hard copies?”

R13 – Per the RFP instructions, only electronic proposals via email will be received.

Clarification regarding accounting operations at MTD

Q14 – “Does MTD outsource any of its business applications such as fare collection or payroll? Are [System and Organization Controls Report] SOC 1 reports available for these service organizations? Please indicate if these are processed in-house.”

R14 – No. All business applications are processed in-house.

Q15 – “What accounting software do you use? Any plans for change?”

R15 – SBT ProSeries 5.0i. Replacement with Accounting/Human Resource (HR) Enterprise Resource Planning (ERP) budgeted for FY21-22 but implementation not anticipated until FY22-23 at earliest.

Q16 – “Are financial records available electronically?”

R16 – Depends upon the nature of the records.

Q17 – “Are the accounting records needed for the audit centrally located within finance?”

R17 – Yes.

Q18 – “Are the accounting records (timecards, invoices, purchase requisitions, remittances, etc.) electronically imaged/maintained?”

R18 – Other than driver timecards, no.

Q19 – “What is the desired timeline for: Interim; Year-End; Draft Reports; Final Reports?”

R19 – The only established timeline, per *Statement of Services*, is audit shall be finalized such that the Auditor presentation to the Board shall be no later than the third Tuesday of the October following the end of the fiscal year.

Q20 – “When will books be ready for the audit?”

R20 – Mid-August 2021.

Q21 – “Who is responsible for the preparation of the reports?”

R21 – Finance Manager is the audit lead responsible for preparing reports.

Q22 – “Any audits or inspections by regulatory agencies?”

R22 – Yes, FTA and California Highway Patrol (CHP).

Q23 – “The number of major programs included in the Single Audit?”

R23 – Three: FTA, Transportation Development Act (TDA), and State of Good Repair.

Q24 – “How often does MTD reviews its internal control systems?”

R24 – As needed.

Q25 – “Any known or suspected fraud?”

R25 – No.

Q26 – “When was the last date of MTD's triennial report from the FTA, and were there significant findings?”

R26 – June 30, 2017. The 2020 Triennial Review was delayed due to the COVID-19 pandemic. There were findings although the Triennial Review did not classify findings as "significant" or otherwise.

Clarification regarding previous audits at MTD

Q27 – “How many journal entries were proposed by the auditor in the prior year?”

“How many journal entries were proposed by the auditors?”

R27 – None. MTD sought advice of auditor in recording capital lease based on early implementation of GASB 87.

Q28 – “Were there any findings?”

R28 – Yes, see Compliance Reports in RFP.

Q29 – “Does MTD prepare its [Governmental Accounting Standards Board] GASB 68 and GASB 75 journal entries and disclosures?”

R29 – To the extent applicable. Pension plans are fully funded defined contribution plans.

Q30 – “Any management letter comments outstanding from the prior year?”

R30 – No.

Q31 – “May we receive a copy of last year's management letter?”

R31 – Yes. See attached Agreed Upon Conditions Report letter.

Q32 – “Were there any formal "findings" issued as significant deficiencies or material weaknesses?”

R32 – Yes.

Q33 – “Were there any material adjustments made by the auditors in connection with the examination of the prior year Financial Statements?”

R33 – No.

Q34 – “For the 6/30/2020 audit period, a material weakness was noted due to inventory observations. Has the District commenced or performed inventory observations during FY '21 to mitigate or correct the material weakness?”

R34 – Yes.

Q35 – “Have there been any known instances of non-compliance with any federal or state agency with respect to federal awards outside of those reported in the single audit report?”

R35 – No.

Q36 – “Once trial balances were provided to the auditors, what was the overall nature of post-closing adjustments identified/provided by management?”

R36 – Post-closing there were no additional adjustments.

Note - After trial balance was provided to the auditor additional adjustments pertained to year end items such as Fixed Assets related items- reclass to expenses, reclass between fixed assets accounts, retirement of asset (asset & capital funding), depreciation, capital funding/receivables on new assets, recording of lease. Also, Other Postemployment Benefits (OPEB) adjustments.

Q37 – “What was the overall nature and volume of audit adjustments proposed by the external auditors?”

R37 – Limited to recording of capital lease transaction under GASB 87.

Q38 – “If required, who does the State Controller’s Financial Transaction Report preparation and submission? If the auditors, how much was the last year’s fees?”

R38 – Not required.

Q39 – “Please provide the actual fees for each component of the 2020 contract.”

“What were the prior year annual audit fee(s)? Please provide breakdown by report.”

“What were the audit fees for the prior year?”

R39 – Contract price \$39,990. There is no component breakdown.

Q40 – “How many hours were incurred in the prior year audit (by segment)? Can you provide the number of auditors and the time periods when interim and final were performed?”

R40 – Audit completed remotely, number of hours incurred not known. Auditor team consisted of firm partner, audit manager & support staff. Interim audit began mid-July 2020. Audit fieldwork began mid-August 2020.

Q41 – “How long has the current auditors been performing the audit for the MTD?”

R41 – Two years.

Q42 – “How many auditors and how many weeks were the auditors on site for both interim and year end field work?”

R42 – “Due to COVID-19 pandemic the last audit was conducted without an on-site visit.”

Q43 – “How did you measure the quality of the audit performed?”

R43 – Not applicable.

Q44 – “What audit areas, in your opinion, were cumbersome?”

R44 – This may be discussed during competitive range interviews.

Clarification regarding the RFP

Q45 – “Is the incumbent auditor invited to bid?”

“Is the existing firm allowed to bid?”

R45 – Yes.

Q46 – “The major reason why MTD is considering a change in auditing firm?”

R46 – The contract period ended and MTD is seeking competitive proposals per procurement policy.

Q47 – “What efficiencies would you like to see in the audit of the MTD’s financials? “

Q47 – To be determined.

Q48 – “Will there be a Single Audit? (If applicable, please include the most recent copy of the report with your response)”

R48 – See RFP.

End of Addendum 1