

**CITY OF BEREA  
REQUEST FOR PROPOSALS FOR AUDIT SERVICES**

**ADDENDUM II**

The following questions have been asked by audit firms in their consideration of submitting a proposal?

**1. Please indicate the total hours incurred/billed by the audit firm for:**

- a. FY17**
- b. FY16**
- c. FY15**
- d. FY14**
- e. FY13**

*Total hours are not indicated on the invoices for audit services. Generally, there is a not-to-exceed cost stated in the engagement letter, but I am not aware of the hourly rates or total hours for which we have been charged.*

**2. May preliminary fieldwork to document accounting processes and controls, obtain permanent file documentation, etc. be performed prior to June 30? If so, please indicate the time period preferred by the City.**

*Yes, this is certainly possible. We are flexible on scheduling and can be available at your convenience. We will be relocating to new office facilities during the month of March, so it would be preferred that any fieldwork take place in late April or later to give us opportunity to get settled. This would only be the case for FY18.*

**3. Please identify any interim testing historically performed prior to year-end by the predecessor auditor.**

*In years past, the auditors would begin their preliminary field work and internal control walk throughs in June. However, in the last several years they have waited until after year end.*

**4. Please indicate when the accounting records will be ready for year-end fieldwork to commence.**

*I generally turn over the final trial balance, gl detail, subsidiary ledgers, fixed asset schedules and other documentation the week prior to year-end fieldwork whenever that may occur. For the last two years, this has been the last week in August. I would prefer at least six weeks after year end before submitting the final information.*

**5. Does the City utilize the Accela Springbrook Software system to track capital assets and calculate the depreciation schedule?**

*We do. Our capital assets are categorized by fund, department, asset type and associated with a general ledger account. We post depreciation annually to the enterprise fund, but the auditors make GASB 34 adjustments when preparing the government wide statements.*

- 6. Any new long-term or debt refunding anticipated during FYE 6/30/18? If so, please explain.**

*We are currently construction a new police, fire and city hall facility. It is primarily being funded through USDA lending. During construction we are using proceeds from a bond anticipation note which will closed within the next month or so with a bond issue from USDA.*

- 7. Please briefly describe the process utilized to comply with the IRS arbitrage regulations for the tax-exempt debt. Will calculations be current through 6/30/18?**

*This is not applicable to us at this time as we deposit all borrowed money in a depository account with interest rates lower than the borrowing rate and expend it on capital assets in a timely manner. In the event that this would apply to us in the future, the City's financial advisors, Civic Finance Advisors, LLC, would assist us with these calculations.*

- 8. Please provide a copy of the year-end audit adjusting and reclassifying journal entries proposed by the auditor and posted for FYE 6/30/17.**

*There were no year-end audit adjustments or reclassifying journal entries proposed by the auditor for the year ended 6/30/17.*

- 9. Please provide a copy of the Communication to Those Charged with Governance issued by the auditors at the conclusion of the audit for FYE 6/30/17.**

*See Addendum III*

- 10. Please briefly describe the preparation to date for the implementation of GASBS No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions effective for FYE 6/30/18.**

*Preparation at this point has consisted of gaining an understanding of how this is to be implemented and awaiting information to be released from the Kentucky Retirement System.*

- 11. Please describe those areas of the audit that have historically presented the most difficulty in completing the engagement and how those difficulties have been overcome.**

*From my perspective as an auditee, I am unaware of any difficulties in completing the engagement. To my knowledge everything has gone quite smoothly. We make a great effort to have all information and documentation easily accessible to auditors.*

- 12. Has there been a significant increase in Federal Grants?**

*Generally, our federal spending does not exceed \$1.5M in any given year. FY17 and FY18 are unusual in that we are borrowing \$10.4M of federal money through USDA for the construction of a new city hall, police and fire facilities. During construction we are using proceeds from a bond anticipation note which will closed within the next month or so with a bond issue from USDA.*

- 13. Have there been any changes in accounting (personnel or procedures)?**

*Upon the move into the new city hall in early March, we will be moving the utility billing and customer service personnel under the finance department. Currently these positions fall under the*

*utilities administration department. The finance staff and the utility billing staff have always worked closely together, but this reorganization will allow the majority of revenue collections to be consolidated into one central location. This change may mean minor changes in procedure dealing in regards to logistics, chains of command and reduction in duplication of effort, but no substantive changes in procedures are expected.*

*As for turnover, we have had one utility CSR and the A/R Specialist leave our service this fiscal year. The A/R Specialist position was filled with another CSR, resulting in the replacement of two CSRs. Additionally, we anticipate adding a new position which one of the existing CSRs will assume, causing us to replace her as well. There has been no other personnel changes within the finance/utility billing departments. Likewise, there has been no turnover in upper level management positions.*

**14. Will you share your Management Letter from the previous audit?**

*See Addendum IV*

**15. We're there any significant deficiencies in the previous year?**

*No significant deficiencies were identified in the prior year or within at least the last five years.*

**16. What are the due dates for reports?**

*We are requesting that the reports be presented to the City Council no later than the third Tuesday in October.*

**17. What were the field work dates for the previous auditors?**

*Generally, the previous auditors spent three or four days in our offices in mid to late July doing internal control walk throughs and other preliminary work. They historically spend another four or five days in early late to early September to do field work. I generally provide them with the final trial balance, subsidiary schedules and other requested documentation the week prior to their fieldwork.*

**18. Is there any significant litigation open at this time?**

*I am not aware of any open litigation.*