CITY OF SANIBEL

ADDENDUM NO. 2

on
Request for Proposal
for
PROFESSIONAL AUDITING SERVICES
Number 08-FIN01

Request for Additional Information

Request # 1

Other than the implementation of GASB 43 and 45, are there any other changes in audit scope (i.e., new bond issues, new major grants, major construction projects, etc.) contemplated for the year September 30, 2008 audit?

Response: GASB 43 and 45 were implemented early, fiscal year ending 9/30/2007. During the audit year ending September 30, 2008, the only major project was the completion of the multi-year $14 million Recreation Center construction project which was funded by grants and $8.5 million in General Obligation Bonds issued in 2006. Staff is in the process of completing close out audits for two Sewer State Revolving Fund Loans.

Request # 2

How many journal entries to the fund basis financial statements were posted after the beginning of audit fieldwork for the year ended September 30, 2007? What was the nature of those journal entries?

Response: The number of journal entries posted after the beginning of audit fieldwork for the year ended September 30, 2007 was 32. Each of those entries was generated by City staff, not as identified by the auditors, and was to close funds, to correct errors in general ledger account numbers, book OPEB and pension trust funds activity after the actuarial valuations were received, to book the results of the fixed asset audit and indirect cost study, etc.

Request # 3

What is the approximate date that the September 30, trial balances will be available for the auditors to audit?

Response: The approximate date that the September 30 trail balances will be available for the auditors to audit will be January 15, 2009.

Request # 4

What is the timeframe for fieldwork (interim and final) in the first year and in subsequent years (since the RFP and auditor selection is so late in the year)?

Response: The timeframe for interim fieldwork in the first year of the audit can commence with the Council approval of the award of the contract to the selected auditors, final fieldwork can commence after January 15, 2009. In subsequent years of the audit, interim work can be scheduled in August with fieldwork commencing in mid-January of the year subsequent to the close of the year being audited.

Request # 5

When is the deadline for the auditors' reports to be submitted to the City for inclusion in the CAFR?

Response: The deadline for the auditors' reports to be submitted to the City for inclusion in the CAFR is March 15th in the year subsequent to the close of the year being audited.

Preparation of Financials:

The accounting personnel of the City will prepare and provide copies of working trial balances used to prepare the financial statements. The financial statements and footnotes will be prepared by the City's Finance Department as well as typical analyses necessary to support an audit.

CAFR Printing:

The City will produce the Comprehensive Annual Financial Report (CAFR) including all financial statements, including footnotes, statistical schedules and other required disclosures of the CAFR. The City will be responsible for preparing the letter of transmittal as well as Management's Discussion and Analysis. The City of Sanibel will provide the necessary reproduction, report covers, tabs and binding of the CAFR.

The auditor selected will provide a minimum of fifty (50) originals of the auditor's opinion letter and all reports, including internal control and compliance and schedules required by the Single Audit Act. In addition, the auditor selected will provide five (5) originals of the management letter.

Request # 6

Are there any remote operations with decentralized accounting and internal control systems? Are the internal controls over grant compliance centralized or decentralized?

Response: Yes, the Recreation Center is a remote location which collects cash and accepts credit card payments, accounting for same using the RecTrac sub-application. This sub-application is downloaded to the Sungard General Ledger application on a daily basis and is reviewed and

reconciled daily by the Finance Department. Internal controls over financial grant compliance are centralized in the Finance Department; however, program control is exercised by the responsible department.

Request # 7

What were the base audit fees and the total audit fees for the years ended September 30, 2007 and 2006?

Response: The base fees for the years ended September 30, 2007 and 2006 were $60,700 and $57,800, respectively.

Request # 8

What were the audit hours on the engagement for the September 30, 2007 audit, if known?

Response: Unknown.

Request # 9

What additional services were performed by the auditors in the past two years, if any, and what were the related fees for those services?

Response: There were no additional services performed by the auditors for the September 30, 2006 audit. However, during the September 30, 2007 audit, a special review of payroll, specifically related to the calculation of pension deductions for members of the Police Pension, was conducted at no additional cost. Two State Revolving Fund loan closeout audits are scheduled for completion in September 2008 at a fee of $8,500 to $10,000 for each audit.

Request # 10

Are separate audit reports issued on the two single employer defined benefit pension plans? If so, are these separate audit reports within the scope of the Request for Proposal?

Response: No, separate audit reports for the two single employer defined benefit pension plan are not issued. The funds are part of the audit.

Request # 11

What is the reason for the City going out to bid? Are the current auditors planning/invited to respond?

Response: City Management's decision to terminate auditing services with current firm in accordance with existing agreement. The City of Sanibel does not have a policy which would preclude a new contract award to a prior auditor.

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