

**HAMPTON ROADS PLANNING DISTRICT COMMISSION
FIN-RFP-2011-01: AUDIT SERVICES**

1

Questions and **Answers:**

1. Your Schedule of Expenditures of Federal Awards for 2010 shows \$8.2 million of awards. Does this amount approximate your annual amount of expenditures? How will this compare to 2011 and future year expectations?

A: Yes, revenues and expenditures are fairly even. Depending on the Statements of Work on our major projects (UASI and MMRS for the most part), these numbers will fluctuate somewhat, but remain fairly constant for 2011 and future years.

2. I do not see any ARRA Federal Stimulus funding, has the Commission received any awards under the stimulus that they plan to spend in future years?

A: The HRPDC/HRTPO does not receive ARRA funding. The HRTPO reviews the process and assists in the allocation of the funds. All ARRA funding is awarded directly to the jurisdictions.

3. I see you have 3 "Type A" programs, the Technical Study Grant, the Homeland Security grants, and the Urban Systems Federal transportation grants. Are these the same grants you expect to have for 2011 that will be over \$300,000?

A: We expect a Federal Highways (PL) grant, Homeland Security UASI funding, and Homeland Security MMRS funding in 2011 in excess of \$300,000. In addition, there may also be a Housing Grant in 2011, depending on the level of federal funding.

4. Your Schedule of Findings and Questioned Costs does not identify which programs were tested as Major Federal Programs in 2010, can you please provide this information?

A: Federal Highways (PL) Grant; Homeland Security Grants – both UASI and MMRS.

5. I see that you disclose the fair value measurement "Levels" as required under the FASB codification ASC 820 (formerly FASB 157). I do not believe this is required under GASB 40 and your policy footnote states that you do not follow FASBs issued after 1989. Is there a particular reason you include this information? (For instance, maybe a certain user has requested it).

A: We disclose this information in order to be as transparent as possible. The new FASB is all about disclosing as much information as possible in order for the public to make informed decisions and determine if a non-profit organization has some investments that are riskier than others. As all of our investments are level 1s, this doesn't apply to us, but we wanted to make that clear with this disclosure.

6. What were your audit fees for the year ended June 30, 2010?

A: \$30,000

7. What is the purpose for your RFP issuance? Is it a periodic process? Are you happy with your current auditor relationship?

A: We issue an RFP for Audit Services every five (5) years (one year initial contract, with an up-to 4-year annual renewal option). We are definitely happy with our current auditor relationship. Due to the nature of our funding (taxpayer monies) we feel the need to re-advertise for services at a minimum of every five years.

8. How many audit adjustments were noted in 2010? What was their size and nature (for instance, assistance to record OPEB).

A: We had one audit adjustment in 2010, for depreciation for which the number of years' life was changed (items reclassified).

9. How much assistance preparing your financials does the auditor provide? Does the auditor prepare everything based on your internal trial balance or do you prepare portions of the report, for instance, the Schedule of Expenditures of Federal Awards.

A: Our accounting staff has numerous schedules and work papers that the auditors use in consolidating our financial information into the bound financial audit report. We prepare or assist on many of the schedules in the audited report. The audit firm uses their software to put it all together.

10. Is your internal trial balance cash or accrual basis? In some cases we see where the auditor assists with cash to accrual entries.

A: We operate on a cash basis throughout the year, then convert to accrual at year-end.

11. Do you reconcile all accounts on a periodic or annual basis?

A: We reconcile all accounts throughout the year.

12. How many days/weeks onsite do your auditors spend and how many visits?

A: The auditors usually come in for a day or two in the spring for pre-audit sampling, then stay three – four days in mid-August/early-September for the main audit. They then finalize numbers in their office and prepare the statements.

13. Does your auditor attend an annual board meeting to present the audit?

A: The auditor first attends a Personnel and Budget Committee meeting where the auditor presents an overall review of the audited financial statements, including any findings. The auditor then (usually on the same day) attends the HRPDC and HRTPO Board meetings in case board members have questions. No presentation is usually given at either board meeting by the auditor. These meetings will usually occur on the third Thursday in October.

14. In your proposal it states the first year under contract would be 6/30/12. Please confirm this is the correct date.

A: We are looking for audit services to begin 07/01/11 for audited financials for that fiscal year ending 06/30/12. We utilize audit services throughout the year whenever questions arise.

15. In your RFP, Section IV: Required Submittals:

- a. You request "sample documentation". Can you please specify what exactly you are looking for here?

A: We would like to see a copy of an audited financial statement that your firm has prepared for an entity that closely resembles the HRPDC.

- b. You request "license requirements". Can you please specify if this is related to the firm's license, staff CPA license, etc.

A: We need to know that your firm is licensed to do business in Virginia.

- c. You request "financial stability". What would you like to see for this?

A: Basically need to know how long your firm has been in business.

16. Please provide a brief overview of the organization(s).

A: The Hampton Roads Planning District Commission is one of 21 Planning District Commissions within the Commonwealth of Virginia. It was established in 1968 to assist localities concerning regional issues in the areas of transportation, economics, emergency management, and physical and environmental planning. See the Code of Virginia, Section 15.2 Regional Cooperation Act, for a complete listing of responsibilities of Virginia's Planning District Commissions. The Hampton Roads Transportation Planning Organization oversees the transportation planning for the regional MPO.

17. What are the reasons for the possible change in accountants?

A: See Q # 7.

18. How many other firms are being considered?

A: To date, six firms have shown an interest. Others have until 3:00 PM January 31st to propose.

19. What are the key factors impacting the organization(s) decision?

A: Responsiveness (i.e., accessibility), understanding of our organization, and cost.

20. Are there any significant changes in the organization(s) from the prior year that should be considered?

A: No significant changes.

21. With regards to the current accountants, how many staff are usually on-site during fieldwork and how long does fieldwork usually last?

A: See Q # 12 for fieldwork. Usual number of staff on site varies from one to three.

22. Are you willing to provide the amount charged by the current accountants? Are the fees entirely cash or is there some portion considered a donation?

A: See Q # 6.

23. How many accounting staff are currently employed by the organization? How many total employees does the organization have?

A: There is a CFO, a General Ledger Accounting Manager, and an Accounting Systems Manager. We currently have 47 full-time and 1 part-time employees.

24. What computer software applications are currently used? Accounting package?

A: We use GMS software.

25. Will financial statements and supporting schedules be provided in electronic format? (Excel, Word and/or PDF)

A: We expect both bound copies, and pdf format.

26. With regards to fixed assets, does the accounting firm provide depreciation calculations or does the organization's staff maintain this information?

A: The organization provides depreciation information.

27. With regards to pledges, what software is used?

A: N/A

28. Regarding expenses, how are cost allocations determined? By whom?

A: We use actual cost allocations, calculated monthly, and annualized at year-end. The GMS software does these calculations.

29. Are the organization's investments managed by an outside advisor and/or an investment committee from the board? Is there a stated investment policy in place?

A: The CFO handles the day-to-day cash management. The investment firm of Scott and Stringfellow, a subsidiary of our bank, BB&T, manages the long-term investments, along with some funds invested in LGIP (Local Government Investment Pool). Our investment policy is located in footnote #3, listed on page 12 of the current audited financial statements.

30. How many AJE's do the auditors typically make with each audit? Would you be willing to provide us with a copy of the prior year's trial balance and AJE's?

A: This past audit had one AJE from the audit firm, for items reclassified as to # years' life, which changed our depreciation amount at year-end.

31. Please provide a copy of the organization's most recent management letter.

A: A copy of the management letter will be posted on our website along with the Q&A commentary.

32. Does the organization have an audit committee?

A: Yes.

33. Are there any CPA's on staff?

A: There are no CPAs on staff.

34. Which other competitors have you worked with before and in what capacity have you worked with them?

A: Other competitors we have worked with before are Goodman & Co., and Witt Mares, both of which have audited the financial records of the HRPDC.

35. What do you like most about your current provider of audit services?

A: They are responsive to questions throughout the year, as well as have a thorough knowledge of the way Planning District Commissions are organized and function.

36. What do you dislike about your current provider of audit services?

A: There is nothing to dislike about our current provider (see #7 above).

37. What are areas that your current provider could improve upon and/or should focus more on?

A: None that come to mind.

38. Are there other accounting services that you may desire in the future and, if so, what are those services?

A: None that come to mind.

39. If you mentioned any additional services in #38 above, are you under the impression that your current provider can/cannot provide such services?

A: We are very satisfied with our current provider, and are under the impression that they are capable of performing whatever services we may require.

40. Pg 5 of your RFP – Qualifications, Experience and Reference Section asks for Sample Documentation – What are you asking for here? (i.e., How we use sampling in our audit procedures or how we document the results of our audit test items that are selected using sampling, etc.? Please provide clarification.

A: See #15 a above.

41. Pg. 5 of your RFP – Qualifications, Experience and References Section asks for Financial Stability. Again, please provide clarification/not sure what you're after.

A. See #15 c above.

42. Would HRPDC please provide a reason as to why they are going out to bid?

A. See #7 above.

43. Would HRPDC please provide a number of hours and the fees of their last audit?

A. See #12, #13, & #6 above.

44. Did HRODC prepare the last audit statement or was it prepared by their previous CPA firm?

A. See #9 above.

45. HRPDC is requesting three hardcopies of the proposal as well as a PDF version – can the PDF version be submitted via email or must it be burnt to disc and submitted with the hardcopies?

A. The PDF version can be submitted via email to: ncollins@hrpdcva.gov.

46. In *Section IV, Required Submittals* it doesn't appear to list HRPDC's Sample Contract, and yet it was provided with the RFP. Is this for our record, or must it be included with the proposal?

A. The Sample Contract provided in the RFP was for your information. Once a vendor is selected, the HRPDC will originate the Final Contract for both the HRPDC's and Vendor's signatures.

47. Why have you decided to go out for bid for audit services?

A. See #7 above.

48. When will you be ready for planning for year-end field work?

A. See #12 above.

49. In regards to the Single Audit, are you a low or high risk auditee? Were there any compliance findings in the prior year?

A. We are a low risk auditee. There were no compliance findings in the prior year.

50. Are there any major changes to your federal award programs for this fiscal year? Will the funding levels remain the same?

A. See #1, #3, and #4 above.

51. What software is utilized for financial and fixed asset accounting?

A. See #24 above.

52. Were there any adjustments or management letter findings during the last year's audit?

A. See #30 above.

53. If a management letter was provided in the prior year, may we receive a copy?

A. See #31 above.

54. What was the prior year's audit fee?

A. See #6 above.

55. How many hours did the prior year audit field work require?

A. See #12 and #13 above.

56. Is there anything that you desire from your current auditor that you are not receiving?

A. See #37 and #38 above.

57. Is there a deadline as to when the financial statements need to be completed?

A. Yes. We need to present them to the two Boards at the October meetings (the third Thursday in October). So the Draft needs to be completed by the second week in September, for revisions to be made, and final bound and pdf copies in house no later than the end of the first week in October.

58. Can you tell me about the DBE requirements noted in the RFP?

A. The VPPA requires that consideration be made to those firms who are minority owned or disadvantaged.

59. When will you select your next audit firm based on this RFP?

A. A decision will be made by the end of February or early March 2011.



Certified Public Accountants
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September 21, 2010

To the Board of Directors
Hampton Roads Planning District Commission
723 Woodlake Drive
Chesapeake, VA 23320

We have audited the financial statements of *Hampton Roads Planning District Commission* for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 28, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by *Hampton Roads Planning District Commission* are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no estimates that were particularly sensitive because of their significance to the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures concerning debt balances and terms.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

During our audit we became aware of areas of operation where there are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report on the financial statements of **Hampton Roads Planning District Commission** dated September 21, 2010. The following are our observations and related suggestions:

Review of Journal Entries

We noted that the journal entry review, performed by the CFO/CIO is not formally documented. We recommend that the Commission implement a formal review process whereas the reviewer visually signs off on and dates the drafted adjusting journal entry prior to the entry being posted into the client's accounting system by the preparer of the adjusting journal entry.

Procurement Policy

We noted that there is no formal procurement policy currently in place. We recommend the implementation of a policy that would designate client-specific guidelines regarding procurement.

CFDA # and the SEFA

We noted that an incorrect CFDA # was being reported on the Schedule of Expenditures of Federal Awards prepared by the client. We recommend that this schedule be critically reviewed throughout the year for ongoing accuracy and proper reporting.

This information is intended solely for the use of the Board of Directors and management of **Hampton Roads Planning District Commission** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Loachman & Company, LLP